

There are more winners than Pakistan in the US's coalition

# Losing game

DIPLOMACY

K.P. NAYAR

As the prime minister, Atal Bihari Vajpayee, embarks on his visits to Russia, the United States of America and the United Nations, nearly a month after the world's most high profile terrorist action, he will have the quiet satisfaction of knowing that India is a definite winner as a result of the war on terror, which the American president, George W. Bush, has proclaimed. For nearly two years, administration officials in Washington — previous and current — have been telling their Indian counterparts that action against terrorist outfits like Jaish-e-Mohammad is in the pipeline.

The Jaish-e-Mohammad, which has been engaged in violence in Jammu and Kashmir, would never have faced punitive US action if it had not been for the September 11 attacks in New York and Washington. Nor would have the assets of the Harkat-ul-Mujahideen been frozen had the hijacking of four American planes not taken place at the behest of Osama bin Laden.

For more than a year there has been talk in Washington about the "imminent" lifting of sanctions imposed on India for its nuclear tests in 1998. More stories have been written in the Indian media in the last year and a half on the about-to-be-lifted sanctions than on any other aspect of India-US engagement.

It is doubtful if the sanctions would have been lifted so soon had not the Bush administration and the congress felt compelled to bail out Pakistan which was also under similar — and more severe — sanctions when the terrorists struck at the Pentagon and the World Trade Center.

The situation in which Vajpayee finds himself is reminiscent of the post-Kuwait war scenario soon after the emirate's liberation from Saddam Hussein's brief occupation. On a visit to the emirate, this columnist was told by several Kuwaitis that before the Iraqi occupation "we only knew we could get foreigners to work for us. Now we know we can even get foreigners to fight for us".

There is merit in the view shared by most of South Block that if the Americans are prepared to do — or at least share — the dirty work which India cannot afford not to do, this is something that the Indians ought to encourage.

Some others in South Block put it more crudely. They argue that if Pakistan is being forced by the US, Britain and others to clean "our toilet" — meaning the terrorist camps for militants in Kashmir and the fundamentalist outfits which spread hatred in south Asia — what is there for India to complain about? The 35 Harkat-ul-Mujahideen militants who were killed in the US air attack on a safe house in Kabul last week is the single biggest known casualty of terrorists since the US bombardment of Afghanistan began.

It is also the biggest casualty in one incident of terrorists who have vowed to snatch Kashmir away from India. New Delhi could never have hoped to decimate so many *jihadis*, leave alone in a

single incident without suffering any loss of life on the part of the Indian army or Indian para-military forces.

On his first stop in a journey that will take Vajpayee halfway across the world, the prime minister will meet another definite winner on account of the US's war against bin Laden: that other win-

ner coalition under Washington's leadership. Also, within the US administration, the Chechens and their ilk in Russia are also increasingly seen for what they really represent.

It is not as if Vajpayee and Putin are runaway winners in their long struggle against terrorism because of the way



ner is the Russian president, Vladimir Putin.

Before September 11, Russia, like India, has been under siege. The Chechen separatists, funded and armed by Pakistan and al Qaida, have been bleeding Russia slowly, just as the Kashmiri militants have been bleeding India. In addition, Russia has been dangerously exposed to creeping Islamic radicalism from its "near-abroad" in central Asia.

Just as the Americans encouraged the taliban in early to mid-Nineties to the point of almost recognizing its regime after it captured Kabul, the US has been tacitly supporting Islamic opposition to Putin as a way of tying down Russia and preventing its resurgence.

For many people in Washington and other Western countries, Chechen terrorists have been freedom fighters whose human rights Putin was cruelly trampling upon. But no more so after September 11. The Western pressure on Russia as Putin attempts to prevent a break up of his country is already easing. In part, it is the price which Moscow is demanding for its role in the anti-ter-

**‘The Western pressure on Putin as he tries to prevent a break up of his country is already easing’**

things have so far shaped up after September 11.

A third winner of the same variety is the Chinese president, Jiang Zemin. There have been sporadic reports about executions of religious extremists in China's Xinjiang province ever since US declared that it wanted bin Laden "dead or alive". And not a murmur of protest in Washington against the executions by Beijing.

It was said of the Bush-Jiang meeting in Shanghai last month that there was very little warmth between the two leaders. But what is important from Jiang's point of view is that the usual American homilies to China on human rights were absent. Nor were there the usual threats about Chinese nuclear and missile proliferation.

Indeed, just before Bush travelled to Shanghai, the administration floated a trial balloon on withdrawing sanctions imposed against China for being a proliferator. There was surprisingly little opposition even from China-baiters in Washington.

Too much has been written about how Pakistan has benefited from its new alliance of convenience with forces opposed to terrorism to bear repetition.

But one episode is illuminating. A senior Pakistani army officer posted abroad recently told an Indian official with whom he has shared a long working relationship that Pakistan would squeeze everything possible out of the US at this time when Washington badly needed Islamabad's support. "You will see," the army officer told the stupefied Indian. "Then we will do what we please."

The question is logical. If all these countries are winners in the war that Bush has launched against terrorism, are there any losers? The only loser so far is the US.

Even Britain has gained from the US's new war. It has enabled Tony Blair to strut on the world stage and pretend that the United Kingdom is a global power, which it ceased to be a very long time ago. Except for the special forces operation inside Afghanistan about a fortnight ago, the US has very little to show for its three-week plus military activities against one of the poorest nations in the world.

The inability of the Northern Alliance to seize Mazar-e-Sharif has raised serious doubts about the viability of the anti-taliban opposition, which was crucial to American plans for the day when Omar's forces would be routed by the global, anti-terrorist coalition. This, combined with the capture and execution of the anti-Soviet *mujahid*, Abdul Haq, raises serious questions about American strategy in the war against bin Laden.

The inability of Bush and the Northern Alliance to engineer any worthwhile defections from the taliban, despite the "student" militia's extreme adversity, ought to make the Americans sit up and reconsider their strategy in Afghanistan.

That the taliban has not lost an inch of territory since the start of the American bombardment is a telling comment on how the White House and the state department may have needlessly raised popular expectations on the vulnerability of the *mullahs* of Kandahar.

But what should worry the White House most is the way US-led attempts to bring back the king, Zahir Shah, to Afghanistan's political centre stage have failed. That failure reflects poorly on the US's understanding of Afghans and their society. Without that understanding the US cannot win the war against terrorists who are now said to have scattered among the population of Afghanistan.

# New war, new diplomacy

The revival of America's old demand for bilateral talks will go down much better in Islamabad than in New Delhi, where condemnation of Pakistan's terrorist activities would be regarded as being much more to the point.

But nothing so forthright as a condemnation is presently on the cards nor is there any visible future US commitment to put an end to Pakistan-based violence in Kashmir. It would seem that the global campaign against terror has left India with unchanged dilemmas in its immediate neighbourhood.

(The author is a former Foreign Secretary.)

to be welcomed. The India-Russia relationship must continue to prosper. But the current focus of action and attention lies elsewhere. The American part of the Prime Minister's visit was of course the most noteworthy. Here we would have been face to face with the reality of a rejuvenated Pakistan once again able to activate its numerous lines of access to the American establishment.

## WIDE ANGLE

SALMAN HAIDAR

closest Western allies. They are making the required military exertion, and the role of all others is essentially ancillary.

Even Pakistan, playing the part of a "frontline" state, is more a facilitator than a partner. Nothing more seems to be currently required of others in the coalition; they have only to be persuaded to hold steady, and mollified if need be.

Something of this was reflected in the Indian Prime Minister's rather plaintive remark that the assistance he has offered had not been taken up.

While this high-pressure activity is in train, Mr Vajpayee's visit to Russia looked like an amiable walk down memory lane. It gave us the whole apparatus of declarations, agreements, honorary degree, planeload of media, upbeat assessments, and more.

If it looked somewhat contrived, it was because the visit was heavily upstaged by the war. Even in Moscow, the big questions led towards Washington and the Afghan war.

Though India and Russia have a closely shared approach to the issue of international terrorism, they will not find it easy to persuade America to act according to their wishes.

Nevertheless, the relationship with Russia remains at the core of India's national concern and interest. It was good that the Kudankulam project where Russia is collaborating with us to set up a large modern atomic power station in Tamil Nadu took a big step forward during the visit.

Russia has held firm on this project despite all the pressure from the West which would deny us any sort of foreign cooperation in the atomic field. Similarly, Russia remains our chief armoured, and the incremental steps in the field of defence supplies during the Vajpayee visit are

target, no clear objective. Once one shifts focus from the fugitive Osama bin Laden, the coalition finds itself facing the highly amorphous foe. To compound the problem, there is no obvious connection between the heavy bombing of Afghanistan and the stated war aim of combating terrorism.

Moreover, everything is happening fast and within the open view of a global public whose response cannot be taken for granted. There is the risk that some coalition partners may begin to drift away. To maintain a measure of authority and control, the leaders of the coalition have had to take it upon themselves to spread their message to key partners and not leave matters to faceless spokesmen and functionaries. The situation is too fraught for half measures.

The message that is being conveyed to the world is that there will be no let up, that Osama bin Laden and his protectors will be hounded by whatever means are necessary. The war is set for expansion, with a stronger commitment of ground forces. But beyond that, matters are far less clear.

Who will replace the Taliban, and how, is as yet unknown. India has voiced its strong interest in being within the consultative circle for establishing the successor authority.

Ex-King Zahir Shah has been projected as the possible convener of the new government but other options seem simultaneously to be under consideration. The ill-fated foray of the former Mujahideen Abdul Haq into the Pashtun tribal belt where he was captured and executed by the Taliban suggests that efforts have been made to rouse the tribes and get them to move against Kabul.

Nobody in the area would have forgotten that Zahir Shah's father was placed on the throne by a revolt among the same tribes some 70 years ago, and history can repeat itself.

The highly charged diplomacy on view leaves no doubt about who is managing this worldwide effort. At the core of it are America and its



Tony Blair with Atal Behari Vajpayee in New Delhi. — The Statesman.

**M**ANAGING the global coalition against terror has called for a new style of diplomatic activity. Presidents and Prime Ministers have been forced to leave their secluded chambers and take to intensive crisscrossing of the world.

Virtually daily briefings of the media have devolved upon the highest dignitaries, especially upon President Bush. We have seen two of America's most potent Cabinet Ministers in New Delhi, hard on each other's heels. Mr Blair has been in frantic motion, in India today, Syria tomorrow, elsewhere in between.

He is not alone in such bustle: in quick succession New Delhi received Chancellor Schroeder as well as senior representatives from France and Japan, and others besides.

Moreover, India is only one of numerous destinations in South and Central Asia for such visits, not to mention the Middle East.

These hectic goings-on are necessitated by the nature of the new war. Unlike the Gulf War, many of whose veterans are once again in the fray, this time there is no easily identifiable

## 100 YEARS AGO TODAY

NOVEMBER 11, 1901

### LETTERS TO THE EDITOR

#### COLLECTOR OF MUNICIPAL TAX

**S**IR, I have read with a great deal of interest Freedom's letter on this subject which appeared in your issue of the 8th instant. I must confess that the present method of collecting this tax is very objectionable and is only calculated to annoy people and to try their tempers. I have lived a good many years in this count and have always paid these kind of bills with great reluctance. I have paid them, but I never thought I was getting value for my money. To pay them in advance goes entirely against the grain, and I am sure there are others who think likewise.

I am quite of Freedom's opinion that these are bills which should only be paid when due. There are a great many poor people who, when these bills are suddenly sprung on them, may not have the money to pay at once. Some consideration, tact, and judgment should be used in these matters. Again, for argument's sake: I have paid the Municipality for three months in advance and I leave Calcutta tomorrow. Will they allow me any refund for the unexpired period? I do not

think they would; then why should they have my money in advance? — VOX POPULI, Calcutta, Nov 8.

#### SHOOTING ELEPHANTS

**S**IR, I see from the papers that some sportsmen are anxious that Government should revoke its restrictions on elephant shooting. I hope that Government will never pay any heed to this cry. If these restrictions were taken away, the time would not be far distant when the elephant in India would become extinct. — BRITISHER.

#### THE GEETA SOCIETY

**T**HE Geeta Society. - A special meeting of the Geeta Society will be held at the Hall of the Khejut Chandra Institution, tomorrow at 5.30 P.M. when Mr Surya Narain Rao, B.A., M.R.A.S. will deliver a discourse on "the importance of Geeta as a book of lessons in elevating men." Baboo Norendra Nath Sen will preside.

# Globalisation & the UN

*The world community is finding new ways to cooperate, even against a backdrop of terrorism and global recession, says Jeffrey D Sachs*



**A**FTER the disastrous month of September, when terrorist attacks and retaliation contributed to storm clouds over the global economy,

November demonstrated the resilience of globalisation. The global economic downturn has led most of the world to rally together, not only in the hunt for the terrorists, but in reinforcing global cooperation. Several events in November give hope for a stronger international community, with consequent economic benefits.

First, more than 100 countries assembled in Marrakech, Morocco, to complete a unique UN agreement to limit global climate change. These countries agreed to reduce their emissions of greenhouse gases in order to slow the process of global warming.

Yes, the US is not yet a party to the agreement — even though America is the world's biggest single contributor to greenhouse gas emissions. Yet the fact that the world could agree despite the absence of the US may prove promising. No single country, even the largest economy in the

world, can stop the cooperation of others. Sometime soon, the US is likely to rejoin these international discussions.

Second, the world community welcomed China as a member of the World Trade Organisation. For hundreds of years, China held itself aloof from the world economy. Then, in the middle of the 19th century, China suffered at the hands of European imperial powers, which gained technological and industrial superiority over China, using this to force trading concessions from the Ching Dynasty.

For more than a century after that, China was in turmoil. Only 20 years ago did China decide to rejoin the world trading system. This month's entry of China into the WTO is a major step in that process. China has now rejoined the world community as a cooperative, stable, and powerful sovereign nation, which will

be one of the leading trading countries in the years ahead.

Third, more than 140 nations agreed in Doha, Qatar, to launch a new round of trade negotiations. After years of global protests about free trade, the world's nations chose trade over protectionism. Importantly, developing countries achieved several breakthroughs in the new trade agenda. Poor countries won concessions on access to essential medicines; and they pressed for, and received, promises that rich countries would address protectionist policies in several areas.

Fourth, the war in Afghanistan has not only proceeded rapidly on the ground, but has led to a diplo-

Change treaty. No country wants to be outside of this global process. China's membership in the WTO is sure to be followed by Russia's membership in the coming years.

Academic scholars and political observers debate whether globalisation is a real phenomenon or a slogan; whether globalisation is beneficial or harmful; and whether globalisation is a fragile process that could be reversed or a robust process likely to gather force in the coming years. My view is that globalisation is a powerful and generally positive force. It offers countries the gains from increased international trade, faster diffusion of technologies to mutual benefit, and hopes for less cross-country violence and conflict. The agreements in November suggest that most of the world shares such hopes, and is ready to commit political resources into the success of the process.

Of course globalisation requires international governance and rules. It cannot be a game of the rich against the poor. It cannot function without international law and international institutions. Therefore, the pre-eminence of UN institutions in so many events in November is notable.

The UN has shown its value in global environmental management,

international trade, state building and reconstruction, and humanitarian assistance. UN agencies will have a critical role to play in future years in helping Africa's impoverished countries (and those elsewhere) to derive larger benefits from globalisation.

This month, in short, has been a fitting prelude to the happy occasion on 13 December when UN Secretary General Kofi Annan and the United Nations organisation itself share this year's Nobel Peace Prize in Oslo, Norway. The prize is a fitting measure of the role that the UN now plays and must continue to play in promoting a successful and peaceful globalisation.

*(The author is Galen L Stone Professor of Economics, and Director of the Center for International Development, Harvard University).*

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MANJUL

matic breakthrough as well. The UN will play a central role in the reconstruction of a working government in that country, and in coordinating humanitarian assistance for the Afghan people. The growing role of the UN in this process puts the seal of international law and diplomacy over the global struggle against terrorism, and helps to reassure many countries that this is a true international effort, not just the US acting alone.

While these seem to be a grab-bag of achievements, they point to a single message: the world community is finding new ways to cooperate, even against a backdrop of terrorism and global recession. The growing role of international institutions under the UN umbrella provides greater confidence that disputes can be addressed peacefully and even sensibly, with significant inputs of scientific expertise as in the Climate

WEDNESDAY, NOVEMBER 21, 2001

## TOWARDS A TERROR-FREE ZONE?

THE UNITED STATES is beginning to exude confidence that its military campaign against the Taliban-Osama axis in Afghanistan is producing the desired results. On the diplomatic front, the U.S. Secretary of State, Gen. Colin Powell, has indicated that the anti-Taliban factions might meet soon at a neutral venue, possibly in Europe, to try and form an interim government as the first step in the wake of the Taliban's collapse in Kabul, the Afghan capital. The idea, as being canvassed by the U.S. and its allies, is that the proposed post-Taliban arrangement, a transitional set-up at best, would in due course pave the way for a government with the traditional Afghan characteristics of multi-ethnicity and multi-culturalism. While the West is keen to appear entirely neutral as regards this process, the fact remains that the U.S. cannot but seek to dictate the course of events, either gently if possible or indeed bluntly if necessary. It is, therefore, quite immaterial at this stage whether the anti-Taliban Northern Alliance had in fact made an autonomous move to take control of Kabul from the fleeing Taliban without an explicit American nod for the purpose. Washington's active interest in promoting a post-Taliban succession at this moment is the clearest sign yet that the U.S. is willing to let the internal dynamics of Afghanistan play out in a manner not detrimental to Washington's fundamental stakes in that hapless geopolitical arena. In a sense, the expanding boundaries of the territories under the writ of the motley anti-Taliban forces will narrow the terrain for the fugitive cover that might still be available to Osama bin Laden, the terrorist czar in the eyes of Washington and most of the world.

No tears need be shed for the plight of either Osama or the Taliban. However, the per-

sistent doubts about the actual whereabouts of both Osama and the Taliban's Mullah Omar should caution the U.S. against any hasty moves in regard to Afghanistan at this time. There is no point in hastening to conceptualise Afghanistan as a possible terror-free zone in the absence of actual or credible evidence that the Taliban-Osama axis has been broken to the point of both being neutralised as diabolical purveyors of terror. The latest word from the U.S. is that Osama is still suspected to be in hiding inside Afghanistan itself, given his status as persona non grata in any of the neighbouring countries. Acquiring unusual importance in this context are the somewhat coordinated efforts of the U.S. Air Force and the anti-Taliban Afghan fighters on the ground to try and oust the Taliban from its remaining hold-outs such as Kunduz town. The battle for Kandahar, the Taliban's seat of receding power, has not yet been decisively joined.

On the whole, however, it is right that the United Nations has lost no time to turn the spotlight on the political future of Afghanistan even before the Taliban's death knell has been fully sounded. The concerns of Pakistan, for long the Taliban's guide and benefactor, will clearly need to be addressed in the context of Islamabad's recent disavowal of that group as also the overall Pakistani clamour for stability in Afghanistan. The U.S. National Security Adviser, Dr. Condoleezza Rice, has now indicated a policy compulsion that Afghanistan's "neighbours and near neighbours" should in some way or other be associated with the delineation of a post-Taliban dispensation. This makes sense and should please India which wants a new and friendly Afghan order.

21 NOV 2001

21 NOV 2001



# World Without Borders Towards A New International Law

By UPENDRA BAXI

THE catastrophic events of September 11, and their aftermath, constitute a turning point in international law. The current war against terrorism disrupts Westphalian notions of international legality, and recasts visions of world order in many precipitate modes.

First, the events signal the beginning of the end of hegemonic patterns of force monopoly on which much of contemporary international law rests. Non-state actors have demonstrated an awesome ability to render even the solitary superpower eminently vulnerable. Sovereign equality of all states, including the strong states, now signifies equality in state vulnerability; that vulnerability also begins to operate as a source of strength. Already dissenting voices stand endangered. North global patriotism requires citizen allegiance to the war against terror; either you are a good global citizen or a violent outlaw; the middle space is a forbidden realm.

Second, feats of global diplomacy now produce a resilient consensus providing justifications for a global war against terrorism. For well over a quarter century, states have, while rhetorically condemning terrorism, failed to produce an operative consensus on its definition. Now, almost overnight, conscientious objections to the cooperative production of a definition of international terrorism vanish before our own eyes: a regime of instant customary law now constructs the notion of mass international terrorism and a repertoire of appropriate global responsiveness.

Third, unsurprisingly, a network global society now generates network international law. The war is against networks of terror, comprising actors from many different nationalities, dispersed across many state territories and the space of flows that constitute a defining feature of globalisation. The global war against terror is a war against de-territorialised agents and agencies, scarcely recognised as subjects, or even objects, of international law commanding access to weapons of mass destruction. The emerging necrophilic anthrax terrorism is a catastrophic incarnation of a world without borders. The counter-terror response represents the networking of state sovereignties; a large number of national, regional, and global agencies crisscross to fashion vital strategic alliances.

This new global law is one in which societies of well-ordered peoples are declared to be in permanent hostility against the outlaw peoples. To belong to the global society of well-ordered peoples, states have to stand up and be counted. Helping and harbouring regimes stand Eurocentrically demarcated. Global cities subject to international mass terrorism warrant

full-scale war, other less global spaces are to be treated differently. Dispersed networks of support for terror (in the international finance and banking markets, for example) need to be handled with gentle, even gracious, persuasion. Only south state failures in curbing terrorism invite belligerency.

Fourth, this new law of nations incarnates a common duty of all states: Terrorist attacks against a hegemonic superpower are represented as an epitome of endangerment to the very basis of contemporary international law.

Fifth, the new order of concrete consensual duties renders otiose the distinctions between the first, second (or what remains of it) and the third world. The third world may now exist only as his master's voice, emanating from the White House and Whitehall.

The war against terrorism is based on genesis amnesia: Discourses concerning the immediate proximate, as well as final, causes of terrorism remain exposed to the instant indict-

constructions of mass international terrorism is motivated by strategic as well as commercial interests.

Multiculturalism is the civic religion of globalisation. Even the current war diplomacy may not explicitly transgress the operative Euro-American norm of racism at a distance. Operation Enduring Freedom is extraordinary because it represents itself as a war of reformation, one in which the world's leading religious traditions have to be interpreted as forbidding the use of terror to make a human rights or global justice statement.

All this prepares the way for the re-making the doctrine of just war in the era of globalisation. Terrorist acts strike at the heart of globalisation: these disarray flexible accumulation, whereby global capital creates and sustains wholly new patterns of international division of labour, and undermine the relationship between development and freedom. But the just war doctrine embraces not only the pursuit of just objectives but also of just means to achieve these.

This war bears an ambivalent potential for contemporary economic globalisation. Fiscal and monetary warfare against organised global criminality pose the question: how is the anarchy of international banking and financial markets to be re-regulated in an epoch of deregulation, in ways that distinguish between the legitimate and terrorist recourse to instant networks of international transactions in stocks, bonds and currencies? How is the world arms trade (nearly monopolised by the five permanent members of the Security Council) that eventually supply the hardware for terrorism to be regulated? Attempts at regulation of bio-warfare lie still congealed in the legal life histories of war veterans of the Agent Orange generation. Even today, mass international terrorism discourse does not speak of the failed treaty regimes of biological and chemical warfare.

The events of September 11 were not construed as a misfortune but as an injustice. But the starvation of more than 800 million peoples of the world, which the World Food Summit Declaration and Programme of Action promises, by concerted global action, to halve in the next 15 years constitutes misfortune, not injustice. The vision of a world emancipated from catastrophic practices of the politics of cruelty, acts of terror by state as well as non-state actors, indeed, symbolises a resurgent space for the politics of human hope. The task, however, lies in preventing it from becoming the 21st century humankind's worst hazard.

(The author is former vice-chancellor, Delhi University and currently professor of law, University of Warwick)

## IN BRIEF

- Post-Sept 11, there is an equality in state vulnerability
- The new global law seems to be one of well-ordered societies against outlaw ones
- Multiculturalism is the civic religion of globalisation

ment of being globally politically incorrect. Distinctions are being reworked between historic forms of mass international terrorism and its new forms. The only history, on the presently constituted hegemonic notions of terrorism, relevant for global action is the history with a specific date: September 11, 2001.

This war erects a distinction between performances of mass international terrorism and geopolitically localised transborder terrorism: the latter remains subject to differential constructions of international legality/illegality. The current Indian foreign policy postures are unsurprisingly unable to cope with the transformation of the erstwhile US declared terrorist state into a vital ally of war against terrorism.

Global discourse on international terrorism proceeds in ways that must simultaneously respect multiculturalism as well as free flow of global capital. The first is symbolised in the archetypal figure of the British prime minister taking time off to read the Koran, so as authoritatively to proclaim that an Islamic terrorist constitutes an impious oxymoron. Few will disagree. But this welcome delinking of ethnicities and civilisations from

Timely Gift

THE TIMES OF INDIA

20 10 2001

# G-20 adopts plan to freeze ultras' assets

PRESS TRUST OF INDIA

WASHINGTON, Nov. 18. — Top finance officials from industrialised and developing countries, including India, have adopted an action plan calling on each G-20 member to freeze the assets of terrorists and their associates and close their access to the international financial system.

The action plan, adopted at the end of the two-day annual meeting of the Group of 20 countries at Ottawa yesterday, also asked the members to cooperate with international bodies to implement standards to combat abuses of the financial system including financing for terrorism and money-laundering, which the finance minister, Mr Yashwant Sinha, suggested.

Addressing the meeting of G-20 finance ministers, Mr Sinha stressed the need for a "united, comprehensive and truly global action" to choke funds for terrorists, saying the plan should include prompt action.

"Every single member of the G-20, without exception, has signed on to that action plan," the Canadian finance minister, Mr Paul Martin, who chaired the meeting, told a news conference.

He said the members agreed to

take action to block financing by groups such as Al-Qaida led by Osama bin Laden, the mastermind of the 11 September terrorist attacks.

"The barbarous attacks on the USA were attacks on all of us intended to shake global economic confidence and security. We will ensure that these efforts fail," said a communique issued at the end of the meeting.

"We are committed to combating terrorism by cutting off its financial sources. There should be no safe havens for the financing of terrorism. To this end, we have agreed on an Action Plan to deny terrorists and their associates access to our financial systems. We call on other countries to take similar steps," the communique said.

The ministers also said that they welcome the Doha Development Agenda agreed to at the WTO ministerial conference.

They said they look forward to working with the IMF and World Bank to ensure that appropriate international support is available to complement sound policies needed to generate economic recovery of the world's poorest countries, whose economies have been hard hit by the terrorist attacks.

THE STATESMAN

19/11

Riot police aim a teargas rifle at protesters to keep them back during protests outside the G-20 summit in downtown Ottawa, Canada, on Friday. — AP

## G-20 mulls action on terrorist funding

OTTAWA, NOV. 17. Finance Ministers from around the globe are trying to cobble together international standards for cutting off terrorist funds, the biggest issue of a meeting moved to Canada amid security concerns in the wake of the September 11 attacks. *pg-12*

The Group of 20 meeting officially began with a Friday night dinner, although participants held several private meetings and news conferences earlier in the day. Policy-making bodies of the International Monetary Fund and the World Bank will also hold talks in Ottawa this weekend after the terrorism attacks postponed a meeting they had planned for late September in Washington.

Security was tight in the heart of Canada's capital, where police have blockaded downtown streets surrounding the venues of the meeting. On Friday, several hundred anti-globalisation protesters roamed downtown streets. Some smashed the windows of a McDonald's restaurant and knocked down barriers at one spot along the security perimeter. Four persons were arrested, and five were reported injured.

More protests were expected but police expect fewer numbers than the tens of thousands during April's Summit of the Americas in Quebec City. Local activists say the September 11 attacks have caused them to reconsider protest methods. During the weekend meetings, participants are focussing on how to crack down on terrorist assets, searching for a set of standards acceptable to major powers such as the United States

and other nations such as Turkey, Indonesia and Saudi Arabia.

In a luncheon speech on Friday, the Canadian Finance Minister, Mr. Paul Martin, said richer countries should help poorer nations carry out a co-ordinated, international fight against terrorists. "Tracking networks of terrorist funding is a challenge for the most powerful of nations," he said. "Imagine, therefore, how overwhelmed small or impoverished States will find the task without financial and technical assistance." While major U.S. allies such as Canada have joined Washington in seizing and freezing assets of terrorists, it may be harder to see similar action from Islamic nations, said Mr. Sherman Katz, an international business expert at the Centre for Strategic and International Studies in Washington. "The weak ones are the Saudi Arabias of the world," he said.

The Mexican Finance Secretary, Mr. Francisco Gil Diaz, indicated support for the U.S. call to crack down on terrorist funding, saying he expected a "good result" from the meetings. "The only way to achieve success is by working together," he said. Finance Ministers also are expected to talk about how the sluggish global economy will affect their nations.

"Every country has to have its objective economic growth, and then also has to recognise their responsibility for economic growth, not only nationally, but in fact internationally," Mr. Martin said. — AP

THE HINDU

18 NOV 2001

# G-20 meet to focus on economic slowdown

REUTERS

OTTAWA, NOVEMBER 16

A WORLD on the brink of recession will be the focus of top-level financial meetings in Ottawa this weekend after the International Monetary Fund issued grim new warnings on the global economic slowdown.

Participants at three meetings include finance ministers and central bank chiefs from rich and poor countries. They will look at how to kick-start the economy and how to cast a

worldwide net to capture the bank accounts of violent groups such as those behind the September 11 attacks on the United States. "Certainly we'll see the assessment of the global economy. You've got all of the main players, from the United States to Argentina to Japan," said Canadian finance minister Paul Martin, chairman of the G20 group of rich and poor countries.

"We want to come to an agreement on both the national and the global plan to fight terrorist financing and to under-

stand how September 11 makes it more imperative that we build the structures by which nation states can make globalisation work," Martin told Reuters.

The G20 meeting takes place on Saturday morning, followed by postponed gatherings of the policy-making committees of the International Monetary Fund and the World Bank on Saturday afternoon and Sunday morning.

The IMF and World Bank meetings were originally scheduled for Washington in the fall,

but were cancelled in the uncertain international environment that followed the September 11 attacks. The G20 meeting had been due to be held in India, which pulled out for the same reason. The Ottawa meetings have already been targeted by anti-globalisation activists and will take place under the protection of three Canadian police forces.

Demonstrators promise their protests will be peaceful and police say they do not expect a run of violent clashes that disrupted a summit of American

leaders in Quebec City and led to the death of one protester at a G7 meeting in Italy. But police have erected barricades around government buildings in downtown Ottawa and fenced off the Rideau Canal, which is beside the conference centre. Some 400 delegates and 700 journalists are expected to take part.

"The threat with respect to terrorism is very low," police spokesman Marc Richer said earlier this week. "There has been no specific threat with respect to this event."

# SPENT FORCE-II

## India, Russia And US Can Work Together

By ML SONDI and  
ASHOK KAPUR

THE long-term strategy is multi-faceted. It requires intelligence cooperation (which is in place and ongoing), a military campaign in Afghanistan (underway), control of the money trail (underway) and a political strategy. The last element is crucial as it requires a fundamental change in the thinking of prominent American allies. Saudi Wahabism has been exported to Pakistani *madrassas* which provide the recruits (along with the refugee camps) for *jihād*.

Anti-terrorism requires an end to Saudi funding (apparently this has been achieved) and educational reform in the Pakistani *madrassas* (which has not). The world community also needs to take a close look at the institutional structure and the resources of powerful organisations like the ISI so that countries which are publicly against terrorism are not seen to practice it privately. Transparency and internal reforms are needed to put an end to double faced policies.

### THREE POLES

Often unrepresentative governments practice such duality because of the lack of accountability to their domestic public opinion or the world community. A long-term answer is to encourage the growth of democracy in the Middle East, the Gulf kingdoms and in Pakistan so that the internal balance of power in these countries begins to favour peaceful discourse and electoral legitimacy. If Russia can shift from communism to presidential democracy — which has been a painful but nonetheless significant change, then it is time for the Middle Eastern autocracies to consider the democratic method of conflict resolution, and to do so by national and not simply local elections. If channels exist to accommodate diversity through peaceful means then the attraction of political violence is likely to decline.

The case for a long-term alignment between India, Russia and America is also facilitated by the convergent geo-political interests of the three in the wider region. They want orderly change in international relations and they want the stable and peaceful development of the volatile Afghanistan-Pakistan-Kashmir region. They want to avoid power vacuums in Afghanistan and Pakistan because they breed instability, extremism and outside intervention.

The converging geo-political interests of the three involve a number of fronts. (1) Each has a pressing terrorist problem and it inhibits the peaceful development of each country. (2) Stability in the Afghanistan-Pakistan pivot and the Middle Eastern region is critical for the orderly development of new oil resources which are crucial for national development. (3) For America a close link with Russia gives the two a good, non-exclusive, non-hegemonic position in Central Asia, where rivalries have been plentiful

and destructive in the past. If the resources of America, Russia and India are put together they can help the development of the Central Asian republics by minimising the military competition and by increasing the flow of technology and goods. (4) In the framework of convergence of India, USA and Russia, reconciliation between

facilitate Russia's internal development. Russia is less interested in containing American hegemony which is a fixation with China. Containing America is a question of strategy and policy for China. Russia knows that as long as America takes Russian aspirations for internal reform and international prestige seriously, and as long as the West is supportive with resources for Russian needs, the American connection is the

more satisfying for its long term plans. Building links with America is Russia's long-term interest and the present crisis in Afghanistan is an opportunity for Moscow to build on it for the long term.

By creating an anti-terror linkup with America in Southeast Asia, China aims at developing further its influence in the region. It is a tactical not a long-term policy for China to project itself as the USA's partner in the region. By co-operating with

America in the anti-terrorism sphere in Southeast Asia, Beijing expects to gain insights about American methods and operations in a region it regards as its own sphere of influence.

### NEW FUTURE

Beijing also worries about the spread of Islamic extremism into its Muslim minority border areas. Here Chinese anti-terrorism is tied to its concern with the security of its border areas.

By encouraging America to devote more time to anti-terrorism Beijing seeks to dilute the Bush policy to check China's ambitions in Asia, and the diversion gives time to the Beijing leadership to enhance its military modernisation and to deal with its internal problems without fear of external pressure.

Finally, China has a strong and long-term incentive to maintain its position in Pakistan as a gateway for Chinese influence into Pakistan, the Middle East and the Indian Ocean, while acting as a line of pressure against India. Furthermore, she maintains a position in Myanmar as the gateway to the Bay of Bengal.

Neither India nor America nor Russia are interested in seeing China develop a wedge between South Asia and the Middle East through Pakistan or in seeing China establish a wedge between South Asia and Southeast Asia through Myanmar.

The post-Taliban agenda is about building new institutions and new political and social conventions in Asia and the Middle East which emphasise pluralism and broad-based political processes, and which reject the concentration of power in unrepresentative hands which export extremism as a safety value for their repressive and unproductive internal policies. India, Russia and America have an opportunity to work together in this direction and to shape a new future for a troubled region.

(Concluded)



India and Pakistan is within reach. This is for the mutual benefit of the two states; there are a number of sectors such as economy, culture, technology, education where Indo-Pakistan cooperation is easily arranged once the political determination to do so emerges.

If India, America and Russia become the three poles of attraction in the volatile Afghanistan-Pakistan-Kashmir region a new mini-international society can be created which would be mutually beneficial and help stabilise a volatile region. This would serve as a role model for Middle East states. For America a tie-up with India creates a strong connection on three issues: containing violent extremism, containing Chinese expansionism in the region; and building democracies in a complicated region.

### STRATEGY

If the three major powers can take collective action in terms of long-term strategy, they can take the political space in the southern underbelly of Eurasia and form a powerful nexus of land power (from the Russian end) and sea-power from the Indian Ocean end. Each is a responsible nuclear power and can be expected to assume the international responsibilities of mature, non-expansionist international forces in the region which has seen much conflict.

China too has adopted an anti-terrorism position but its motives are complex. The long-term strategic interest of China is to contain the development of a US-Russia link-up in Central Asia. Here the US and Russia have a convergent interest to help each other since neither can protect its own interests alone. For America, Russia is no longer a strategic threat because it lacks China's middle kingdom complex with ambitions to be a world power.

Russia has gone through the trials of communism as well as post-communism and it is more interested in developing a strategic partnership with the West which is in a position to

THE STATESMAN

19 OCT 2001



# Why some failed to track the poverty line

**S**ince the mid-1970s, a number of states have managed to reduce poverty, while in some low income states, notably Bihar and Uttar Pradesh, growth and poverty reduction have lagged. This differential performance appears to have increased in the 1990s. It is likely that urban poverty shows, if anything, an even greater increase in the differential. Rates of rural poverty reduction began to diverge in the late 1970s: While both groups of states evidenced a steady decline in rural poverty incidence, the rate of progress in the 5 northern and eastern states was somewhat slower in the late 1970s. The divergence increased in the Nineties as poverty stopped falling in the low-income states. By 1997, the gap in poverty incidence between the two groups of states had reached nearly 18 per cent, and poverty incidence in the low-income states was over 50 per cent higher than that in other large states ...

What explains this large cross-state differential in poverty reduction? Partly it reflects lower growth in the poor states. Most of the states that began the 1970s with relatively low per capita GDP had slower growth in GDP and its three main components — agriculture, industry and services — than the middle and higher income states... The differentials in private GDP growth and public investment in infrastructure and human capital partly reflect weak legal and regulatory frameworks for business; and problems of governance, law and order, and weak institutional capacity more generally. Finally, the lagging states, despite allocations of central funds that favoured them in per capita terms because of their low per capita incomes, suffered from fiscal problems. This was particularly the case in the 1990s, because their lack of fiscal ad-

1-13 20/10 W A Gaur  
Extracts from  
the WHO report,  
"Policies to reduce  
poverty and accelerate  
sustainable develop-  
ment", 2000

justment and increased debt service payments coincided with a decline in overall central grants and loans to the states and rise in interest costs. These fiscal problems led the states to reduce their capital and human resource spending as a percentage of GDP.



Focused reform

India reduced poverty substantially since the mid-1970s, as growth rose and human development indicators improved. In the mid-1990s, growth increased sharply and human development indicators continued to improve. Yet poverty rates... declined only marginally. The inconsistencies between the National Accounts and the National Sample Surveys that are used to measure poverty suggest that this may be a statistical artifact. Partly the slowdown may also be explained by the higher average inflation in the 1990s compared to the 1980s, especially the more rapid increase in food prices. There are also concerns that the pattern of agricultural growth is produc-

ing less of a rise in labor demand/fall in poverty than in the past. More fundamentally, while some states were able to take advantage of the stabilization and reforms to speed up growth and poverty reduction, others increasingly lagged, due to poor governance, infrastructure, lack of human development, lack of fiscal adjustment and compression of development spending...

Should the recent developments be taken as evidence that stabilization and reforms have worked against the poor? We would argue not. First, there continues to be some reduction in poverty, particularly in the urban areas and in some states. Second, and more importantly, the issue is not reforms and stabilization, which were clearly needed to correct an unsustainable situation, but incomplete, and partial reforms. In particular, it is generally agreed that agriculture, which may have lost its impetus in reducing poverty, remains the least reformed, most distorted sector. Lack of reforms of labour and product markets limit both the rate of growth and its labour intensity. Reform of India's anti-poverty programmes is now underway, but has taken place too recently for the benefits to show up ... moreover further institutional and governance improvements will be needed to make the programmes fully effective. Institutional and governance issues also arise in social sector services. Finally, at the state level, differences in governance and fiscal adjustment have led to differences in human development, infrastructure and private investment that contribute to the differences in growth and poverty reduction across the states...

Against this backdrop, there is a concern that poverty reduction will continue to stagnate unless a second phase of reforms occurs.

# G7 unveils action plans to combat terrorist financing

11-12  
8/10

WASHINGTON: Group of Seven (G7) finance ministers drew up an action plan to put a choke hold on the finances of global terrorists.

The finance chiefs from Britain, Canada, France, Germany, Italy, Japan and the United States on Saturday called for stricter use of United Nations sanctions on terrorists' funding and for a world money-laundering task force to be beefed up to combat terrorist financing.

"We stand united in our commitment to vigorously track down and intercept the assets of terrorists and to pursue the individuals and countries suspected of financing terrorists," the ministers said in a joint statement after a one-day meeting.

The G7 ministers were holding a crisis meeting in Washington to

prevent the world economy from slipping into recession following last month's hijack attacks on U.S. targets and to block the sources of terrorist funds.

In an action plan attached to their final statement, they also urged world financial authorities to share information and called on the international monetary fund to boost efforts to ensure proper supervision of offshore banking centers. But the focus of their appeal was for tough use of existing UN security council resolutions to sever terrorists' financial lifelines across the world.

"More vigorous implementation of international sanctions is critical to cut off the financing of terrorism," the action plan said.

The seven powers said they were applying two UN resolutions

aimed at freezing the assets of Washington's number one terror suspect Osama bin Laden, those of his Al Qaeda network and of other terrorists worldwide.

"We ask all governments to join the U.S. in denying terrorists access to the resources that are needed to carry out evil acts."

The plan called for the Paris-based Financial Action Task Force (FATF), which currently fights money laundering, to adopt new measures aimed specifically at combating terrorism when its members meet in Washington late this month.

The measures should include issuing special guidance to financial institutions showing them how to detect practices associated with terrorism to allow them to alert the authorities, the plan showed. (AFP)

W  
*'Everything but arms' must be the motto of all future negotiating rounds of the WTO*

# Paradox of anti-globalisation

27/9  
BY GUY VERHOFSTADT W. Africa 11-8



THINK GLOBAL, ACT LOCAL: Activists protesting against the McDonald's in France

MESSAGE to the anti-globalisation protesters: Seattle, Gothenburg and Genoa, tens of thousands of people took to the streets to express their views. A real breath of fresh air in this post-ecological age. If only there had not been all that meaningless violence we would almost have applauded them.

Anti-globalisation protests are a welcome cross-current at a time when political life has become rather dull, sterile and technocratic. Indeed, this cross-current is good for democracy. But what is our actual message? Do you espouse the views of the 'Black Block', which bluntly opposes any form of private property? Or perhaps your views are better represented by the 'Slow Food' campaign, a mundane club that spreads leaflets invariably stressing the importance of eating correct food in the latter restaurants?

What is suddenly so wrong with globalisation? Until recently, even progressive intellectuals were singing the praises of a worldwide market, which, they said, would bring prosperity and well-being to countries where before there was only poverty and decline. And they were right.

Experience has shown that the per capita income of a country's population rises by 1 per cent for every 1 per cent that opens up its economy. This explains the wealth of Singapore, which contrasts so sharply with the poverty of a closed economy such as Myanmar.

In short, prior to Seattle, globalisation was not a sin but a blessing for mankind. This was in stark contrast to the dissenting voices on the far-Right that bemoaned the loss of identity in a globalised world. But ever since Seattle, you have been running globalism as if it were a modern-day form of bubonic plague, sowing poverty and ruin.

Of course, globalisation, as a movement that disregards national borders, can easily deteriorate into a form of selfishness without frontiers. For the rich West, free trade is naturally something that should be embraced wholeheartedly, as long as it is not in products that can harm western economies. No sugar from third world countries. No textiles or manufactured garments from North Africa. In this regard, then, your anti-globalisation protests are well founded. The much vaunted free world trade moves largely in one direction: from the rich northern countries to the poor south.

But I would also like to point out a number of contradictions in your way

of thinking. You oppose American hamburger chains, reject soya that has been genetically modified by multinational corporations, and condemn worldwide brand names that influence buying habits. Many of you feel that everything must return to a small, local scale. We must go back to the local market, to the local community. And yet not when it comes to migration... Then, globalisation suddenly becomes an aim.

Large numbers of homeless people drift along the borders of Europe and North America, staring wide-eyed into the shop windows of a prosperous society. Millions of illegal immigrants live as homeless pariahs, in pitiful conditions, hoping against hope that somehow they can tap into western riches. But it is precisely the absence of free trade and investment that drives them to the West in the first place.

Another contradiction resides in the fact that, while opposing globalisation, you strongly urge tolerance towards lifestyle diversity. Surely, we owe the fact that we live in a multicultural and tolerant society to the process of globalisation? I thought that nostalgia for the narrow-minded societies of our forefathers was the sole domain of conservatives who glorify the past, of extreme Right-wingers who believe in the superiority of their own race, and of religious fanatics who live and die by the Bible or the Koran.

In this way, anti-globalisation protests

unwittingly veer dangerously towards extremist, 'populist' Right-wing views. The only difference is that you oppose multinationals because of the alleged harm they cause to the south, whereas the extreme Right, such as Le Pen in France, condemns multinationals because he wants to retain control over his own economy.

You are asking many of the right questions. But do you have the right answers? Nobody now denies the existence of climate change and global warming. But such issues can only be dealt with through global commitments. Everybody recognises the importance of free world trade for the poorest countries. But this also requires global social and ecological standards.

Look at the immoral speculation that preyed on weak currencies such as the Mexican peso and the Malaysian ringgit a few years ago. The most effective way of combating this kind of speculation is through the creation of larger monetary zones (another form of globalisation). The prospect of coming up against the dollar or the euro will scare off speculators more than any tax.

I do not think it makes any sense to be unreservedly for or against globalisation. The question is rather how everybody, including the poor, can benefit from the manifest advantages of globalisation without suffering from any of its disadvantages. When can we be sure that globalisation will benefit not only the happy

few but also the massed ranks of the third world's poor?

Again, your concerns as anti-globalists are extremely valid. But to find the right solutions to these valid questions we need more globalisation, not less. That was exactly the point of James Tobin. That is the paradox of anti-globalisation. Globalisation can, after all, serve the cause of good just as much as it can serve the cause of evil. What we need is a global ethical approach to the environment, labour relations and monetary policy.

In other words, the challenge that we are faced with today is not how to thwart globalisation but instead how to give it an ethical foundation. I would call this 'ethical globalisation', a triangle consisting free trade, knowledge and democracy; alternatively, trade, aid and conflict prevention.

Democracy and respect for human rights are the only sustainable ways of avoiding violence and war and of achieving trade and prosperity. The international community has still not managed to impose a worldwide ban on small arms or to set up a permanent international criminal court.

Moreover, increased aid is needed from the rich West. It is shameful that more than 1.2 billion people still do not have access to medical care or a decent education. Trade alone will not be enough to solve the problems of the least developed nations. Even with more trade there is still a need for increased development cooperation to build harbours and roads, schools and hospitals, and to construct a stable legal system.

Finally, world trade needs to be further liberalised. If all world markets were fully opened up to competition, then the total income of developing countries would be boosted by \$ 700 billion per year, or 14 times the total development aid that they currently receive. No more dumping of western agricultural surpluses on third world markets. No more exceptions for bananas, rice or sugar. The only trade ban would be on weapons.

'Everything but arms' must be the motto of all future negotiating rounds of the World Trade Organisation.

To be concluded

The writer is Prime Minister of Belgium and the current President of the European Union. An international meeting to discuss the contents of this article will be held in the auditorium of the University of Ghent (Belgium) on October 30, 2001

THE HINDUSTAN TIMES  
THE HINDUSTAN TIMES

27 SEP 2001

# MARKETS CRASH, WIPE OUT GAINS



AP PHOTO  
A trader at Hong Kong Stock Exchange looks shocked after a tough morning trading session on Friday, which resulted in the Hong Kong's Hang Seng Index shedding 3.8 per cent by midday.

## Sensex takes the global cue, plunges again

HT Correspondent  
Mumbai, September 21

TAKING CUE from the global markets, the Dalal Street on Friday swept away whatever little gains it had made early this week.

The Bombay Stock Exchange (BSE) benchmark 30 share price index closed at a record eight year low of 2600.12.

In a highly volatile trading, a massive downside in the technology stocks pulled down the Sensex by 161.54 points, representing a decline of 5.85 per cent in a single day.

"The outlook looks grim. It was another black Friday at the Dalal Street," said Shilpa Irani, a dealer at the BSE brokerage firm.

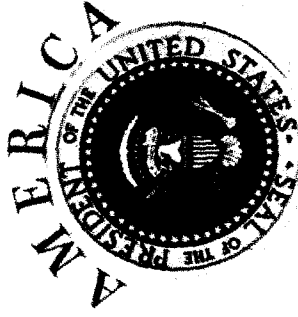
The trading was frozen in the three index stocks (Reliance, Infosys and Satyam) as they touched 10 per cent circuit filter limit on the downside.

The sensitive index has now lost a massive 550 points since the day terrorist strike in the twin tower of US. With the US ready to retaliate any day, the financial markets across the world have been clouded with panic and the uncertainty. The concerns on the oil front coupled with global slowdown in the economy is haunting financial experts.

On the inter-bank foreign exchange market, the rupee closed lower at 48.01/03 against the US dollar.

There was an all round buying from the foreign banks and rupee even touched an intra day low of Rs 48.05 during the day.

Mirroring the global trend, technology stocks were once



## ATTACK FALLOUT

again battered by the foreign institutional investors (FIIs). "Partly because of the likely redemption pressure at home and also because of fear of further downturn in the economy," said analysts.

Major losers in the technology sector were Infosys, Satyam and NIIT, while cement, too, got hit badly on growing concern on the oil front. Cement majors ACC, Gujarat Ambuja, L&T, etc fell heavily.

The other heavyweights like Reliance, State Bank of India, HLL, Grasim, ITC, Mahindra & Mahindra, and Tisco fell on a heavy selling pressure.

On the list of gainers, ICICI, Castrol, Colgate, HPCL and Bajaj Auto topped the list.

The recent market friendly measures failed to improve the market sentiments. The country's Central Bank has allowed banks to lend money for margin trading and also cleared the decks for FIIs to hike their holdings in the Indian companies beyond 49 per cent.

## European, Asian stocks tumble

Hong Kong, September 21

SHARES TUMBLED across the Asia-Pacific region early Friday in the wake of more carnage on Wall Street as fallout from the terrorist attacks in America rippled through markets and traders wondered how low prices can go.

Tokyo's 225-issue Nikkei Stock Average fell 385.27 points, or 3.9%, to 9,399.79 in early dealings, after the Dow Jones industrial average plunged 4.4% and the Nasdaq composite index dropped 3.7% on Wednesday.

"It's a vicious cycle we are seeing here," said Nigel Scott, a head of institutional equities at ABN Amro in New Zealand, where prices were down by 1.7% part of the way through the session.

"Investors are beginning to count the costs to businesses and with information about job losses going around in the U.S., the impact seeps down to consumer spending," Scott said.

War fears have filled markets with jitters. Blue chips in Seoul were off by 2.8% in the morning, with heavy foreign selling pushing shares well into the red on concerns about massive damage to high-tech companies that are a backbone to S. Korea's economy.

Taipei's market, where tech stocks are also crucial, slid by 2.6% at the start, while Sydney shares were off by 2.2% late in the morning.

In England, the FTSE index of British blue chips dropped 3.5% to close on Wednesday at 4,556.90 on the London Stock Exchange, its lowest level since May 7, 1997, when the index closed at 4,557.5.

The Paris Stock Exchange's CAC 40 index shed 3.9% to end the day at 5,738.18. AP



REUTERS  
A German trader scratches his head in front of the DAX index board at Frankfurt stock exchange on Friday. German insurers gored the DAX on Friday, sending it to near four-year low.

# Now, Taliban set terms

HTF 18/9  
 Bin Laden's fate to be decided today • Pakistan, Afghanistan haggle over hand-over conditions

## Markets in meltdown, Sensex touches 8-yr low

HT Correspondent  
 New Delhi, September 17

THE WORLD was waiting for the New York Stock Exchange to resume trading. When it did, there was bad news for the global economy: the Dow Jones opened 629 points lower than last Monday before the terrorist attacks in New York and Washington.

The Nasdaq also faced the meltdown prompted by Black Tuesday: it opened 109 points lower than the last working day. Indian companies listed on the US bourses also took a hard knock.

In anticipation of a US meltdown there was mayhem in stock exchanges across the world. The Bombay Sensex fell to an eight-year low of 2641 points before closing at 2681.

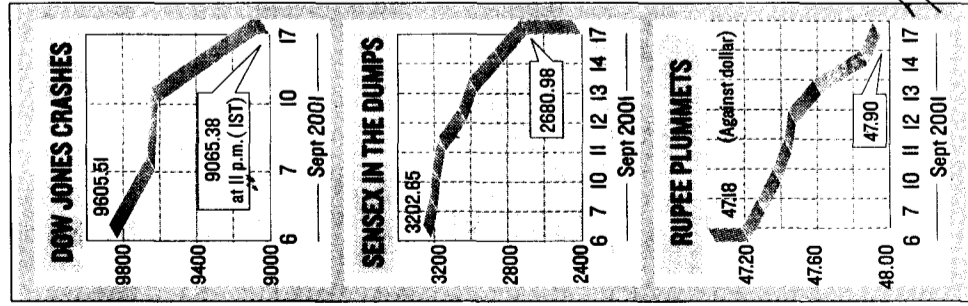
The Nikkei touched an 18-year low of 9505. The Hang Seng went down 3.5 per cent, Sydney 4.6 per cent, South Korea 2.8 per cent and Singapore 4.7 per cent.

The US crashes happened despite a 0.5 per cent interest rate cut by the US Federal Reserve.

Barring Infosys Technologies all Indian companies listed on the NYSE and Nasdaq lost between 20 and 25 per cent. Infosys fell by 8 per cent, while Wipro crashed by 19 per cent. Silverline fell by 22 per cent, VSNL by 25 per cent and Satyam Computers by 22 per cent.

In India, the crash was made worse because of heavy selling by foreign institutional investors.

The rupee also did badly, falling to a record intra-day low of 48.43 against the dollar against last Friday's close of 47.81/83. But, heavy



dollar sales by public sector banks, apparently at the behest of the Reserve Bank of India, helped the rupee recover to close at 47.90. **More reports on page 12**



AP PHOTO  
 Militants are seen in this photograph training in Pakistan somewhere near the Afghanistan border. Indian intelligence agencies video-taped this training session where militants have been heard chanting, 'Osama, Osama, we are with you. Go, fight. If one Osama dies, there will be million others.'



49-12

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## STARING AT A SPECTRE 1719

TESTING TIMES AWAIT the economies of the world. As shock painfully gives way to rational economic reactions from individuals and states, the economic consequences of Tuesday's ghastly terrorist strikes on the World Trade Center and the Pentagon in the U.S will begin to emerge. By attempting to subjugate individual minds to the power of terror, the perpetrators of destruction across the world are aiming to systematically vapourise public confidence and thereby trigger social, economic and political collapses. Given the fragile nature of the present global economy — with slowdowns and job-cuts becoming the order of the day — it is imperative that collective action is taken by the world's leadership to ensure that there is no further collapse in the confidence levels. Immediate reactions have been two-fold: the expected panic by individual players and prompt confidence boosting measures by the central banks of the advanced economies. Yet, the months ahead could turn out to be the most challenging as the horrendous attacks have played a distressing tune for a weak global economy, which is already battling to avert a recession.

The rubble of the World Trade Center signifies an important moment in contemporary economics. If the reactions since Tuesday are to be taken as indicators — the re-assurance given to international financial liquidity by the central banks that have pumped in \$ 118 billion; the reasonable guarantees, in the immediate sense, about oil supplies; and the relative containment of a drastic spill-over into economic fundamentals — there still remains the tall challenge of rebuilding shattered confidence. Yet the key task ahead for national economic managers is not just to build up collective confidence, but to also sustain it. The hardest hit in physical terms will be the world's financial services that are now moving into a phase of increased global integra-

tion. It is against this backdrop that the measures by the central banks of the developed countries come as an important signal. The ability to bolster business confidence and chart out the future economic path will be dependent on the political decisions to be taken by the U.S. Whether the soaring oil prices and the slumping stock markets will be a short-term reaction or will metamorphose into a long-term malaise will largely depend on the pattern of military response to be adopted by the U.S. — either as a single player or as a part of a larger alliance.

Notwithstanding the relative insulation of economies such as India from immediate adversities, the changed dynamics of international economic relations and the bleak internal prognosis for the future provide no cause for comfort. It is imperative that the nation's policy-makers prepare to face economic adversities: a possibility recognised by the Prime Minister, Mr. A. B. Vajpayee. In any case there is no place for complacency on the balance of payments front given the strong linkages to the fluctuations in oil prices and exports. The statements of caution against panic expressed by managers of national economies are welcome as they go a long way in calming market and individual sentiments. It is also important to note that, more by default of being a relatively smaller player, economies such as India would stand to lose less. However, the seemingly comforting prognosis will be proved wrong in the event of a global economic downturn. In the more immediate sense, it is important that India joins other major developing economies and the advanced nations to evolve a concerted approach to counter the consequences of what could become in the worst-case scenario, an extremely harsh economic winter of recession.

THE HINDU

17 SEP 2001

## Keep your fingers crossed

FOR the world economy (India included), the terrorist attacks on the US could not have come at a worse possible time. Global economic activity was already at a low ebb. Repeated reductions in interest rates by central banks across the world had failed to reverse sentiment. Japan and the EU had stubbornly refused to pick up the threads and fill in for the US as the world's engine of growth. In such a scenario, the attack on the world's economic superpower has come as a major psychological blow. Business confidence, already fragile, is certain to take a further beating. The Morgan Stanley Capital world index of stockmarkets, down almost 20 per cent since the beginning of the year, is bound to fall even further. The question is how much further. If initial reports from markets across the world are any indication, things could get a lot bleaker than at present, scuppering all hope of economic revival in the near term.

As far as India is concerned, the relative insulation of Indian markets has, once again, stood us in good stead. Consequently, though the Bombay Stock Exchange fell sharply in the opening hours of trade, compelling the market regulator, Sebi, to impose a 10 per cent circuit filter, the Sensex finally closed only about 4 per cent lower from the previous close on Tuesday. Meanwhile, money and forex markets stayed relatively calm. Comfortable liquidity ensured that call rates, after a sharp spike, fell back to the 7-7.5 per cent range. The rupee too, after falling to a new low of Rs 47.50 to the dollar, quickly recovered to close at Rs 47.43/44. Overall, the market seems to have adopted a wait and watch attitude. Rightly so. It is early days yet. If oil prices continue to rise — they have already shot up to over \$31 a barrel in quick reaction to fears of a possible fallout in the Middle East — and investors in a flight to safety pull out from the market, it will be difficult for India to remain insulated. The consolation is that OPEC, the all-powerful oil cartel, has reiterated its pledge to guarantee uninterrupted oil supply. FIIs too have not shown any signs of panic. For the moment then we must content ourselves with clinging to these straws and keep our fingers crossed.

The Economic Times.

13 SEP 2001

A woman consults a tailor on her *burqa* in Srinagar. (PTI)

# Women behind veils as deadline ends

5-8  
11/9

**Srinagar, Sept. 10** (Reuters): Falling into line with the Lashkar-e-Jabbar diktat, thousands of Muslim women donned *burqas* on Monday as the deadline imposed by the rebel group ended.

Police said they had stepped up security patrols and posted plain-clothes men at schools and colleges to protect a handful of

women defying the ultimatum from the rebels, who attacked unveiled women with acid in August to launch the campaign.

Women residents said very few dared to defy the Lashkar-e-Jabbar dress code. "Some women have defied the order, but I have started wearing it today. I cannot take chances," Mehjabeen Akhtar, a government employee, said.

The Lashkar-e-Jabbar had told women in the state in August to cover up in public or face attack. Two women were injured in an acid attack at a crowded crossing.

On Monday, streets in Srinagar were peppered with women in *burqas*.

Tailors in the city have reportedly been flooded with orders to stitch *burqas*.

The rebel group extended an August 31 deadline to September 10 following an appeal by a women's separatist group.

The little-known Lashkar-e-Jabbar followed up its social crackdown during the weekend by ordering Hindu and Sikh women in Kashmir to dress differently so they could be easily identified. It said Hindu women should wear a bindi and Sikh women should cover their heads with saffron cloth.

They did not set any deadline for their order, which is similar to the one issued by Afghanistan's Taliban rulers earlier this year directing non-Muslims to wear a distinctive badge in public.

Villy Koul, a Hindu lawyer,

said she had little choice but to abide by the order. "There is no other choice.... We will abide by it. When Muslim girls have begun wearing *burqas*, we will also put on bindis," Koul said.

In the early 1990s, Muslim rebels had banned beauty parlours, cinema halls and liquor shops and demanded an Islamic dress code for women in Kashmir.

But August's acid attack was the first of its kind to enforce such a dress code in a state where over 30,000 people have died in insurgency-related violence.

Previously, suspected separatists militants sprayed coloured paint or shot women in the legs for wearing Western clothes.

Frontline Kashmiri rebel groups condemned the acid attacks and blamed Indian agents for the incident.

Some separatists have said that women in the region should voluntarily follow the code but have opposed use of violence to impose it.

In a related development, a Mumbai-based Muslim political party said it would go on a door-to-door campaign in Mumbai to encourage women to follow a similar code as protection from the "lustful" eyes of men.

"We are asking Muslim women to wear *burqa*," Mohammed Aftab Alam, president of the Mumbai Regional Muslim League's youth wing said on Monday, adding: "But we will not force anyone."

THE TELEGRAPH

1 SEP 2001

# Muslim groups denounce diktat

**NEW DELHI, SEPT. 9.** With just a day left for the deadline for implementation of the 'burqa' (veil) diktat of militants in Jammu and Kashmir, Muslim organisations today denounced the use of "coercive tactics" to make women wear veils, saying Islam did not permit the use of force to implement even good things.

Although supportive of the idea of women wearing veils, Muslim organisations denounced the method of "coercion" to implement it, saying that it even affected the image of Islam.

A hitherto unknown militant outfit, the Lashkar-e-Jabbar, has asked all Muslim women in Kashmir to wear a 'burqa' after Monday and to demonstrate its seriousness about the diktat, its activists threw acid on three girls recently.

Although the diktat may have brought good business to tailors in Kashmir, it has found almost no takers within various sections of society, including Muslim organisations who advocate the use of persuasion rather than force to make women wear veils.

"Shariat prescribes that all women wear veils. But the method should be to convince them and not throw acid," said Maulana Mahmood Madani, general-secretary of the Jamiat-Ulema Hind. Women should follow the dress code on their own as "a Muslim woman is supposed to wear a veil. But use of force to make women wear veils is inhuman and is not allowed in Islam," he said, adding, "even if they wear the 'burqa', it will be due to fear only. So what purpose will it serve."

Maulana Ajaz Ahmad Aslam, assistant general-secretary of Jamiat-e-Islami Hind, termed the use of

force by militants to enforce the practice as "un-Islamic, anti-social and undemocratic. If any change is to be brought in society, it should not be through force but through persuasion and by educating people."

Maulana Madani said Islam had prescribed modesty for both men and women. "Moving of Muslim women without a veil is 'haram' (prohibited). But throwing acid to enforce something is against humanity and Islam."

Denouncing the acid-throwing incidents, he said, "Allah has created the face and destroying it is against Islam."

The All-India Muslim Majlis-e-Mushawarat president, Syed Shahabuddin, said, "Islam does not permit such tactics. Islam prescribes 'hijab' (veil) not 'tezaab' (acid)." He saw the tactic as an attempt to defame Islam and asked, "What percentage of Muslim women around the world wear burqa?" — PTI

## Muslim League warning

**MUMBAI, SEPT. 9.** The youth wing of the Mumbai Regional Muslim League today urged Muslim women to wear veils. The youth wing president, Mohammed Aftab Alam, in a statement, warned Muslim women to follow his party's directive or face "concrete" action. However, he did not spell out what it would be.

According to Mr. Alam, "Women were being used and victimised in the name of art, culture and modernisation. Vulgarity already exists in society. Sacred relations are being reduced to mere materialistic symbols." — PTI

# Italy in talks with U.N. on food summit

By Batuk Gathani

**BRUSSELS, SEPT. 3.** The spectre of violent demonstrations by anti-globalisation activists and dissident groups during the scheduled summit of Food and Agricultural Organisation (FAO) continues to haunt the Italian Government.

The authorities in Rome today revealed that it had talked to United Nations on moving the November summit of the FAO from its headquarters in Rome to either a smaller and obscure but well-secured town in Italy or to a distant suburb of Rome.

The Government also revealed that the annual summit of NATO scheduled for Sept. 26 and 27

would also be moved to a smaller town near Naples. With its decision to shift the two summit venues, the Government is widely seen as "giving in" to anti-globalisation protesters.

Earlier, the Prime Minister, Mr. Silvio Berlusconi, tried to move the FAO summit to Africa and proposed Nairobi in Kenya as a suitable venue. This was criticised by senior U.N. officials. The Italian authorities argued that according to the latest opinion polls, the overwhelming majority of Italians were against holding of international conferences in their cities. The average European is horrified by media images depicting rabble-rousers and masked protesters throwing

stones and bottles through a clouds of tear gas amid smashed shop door fronts and never ending violent scuffles with police.

The centre-right Government has decided to opt for a damage limitation exercise by opting for a smaller and obscure summit venue to face the security challenges posed by protesters.

The Italian authorities may shift the NATO summit from Naples because 65 per cent of Italians disapprove of the U.S. President, Mr. George W. Bush's controversial plans for a nuclear missile defence. Many of them would protest at the summit.

Recently, Lord Robertson, NATO's Secretary General expressed astonishment at the idea that a

military summit could "pushed around" by a few hundred protesters. Today, the reality is that protesters have managed to push the NATO summit to the small town of Pozzuoli.

The NATO summit is technically hosted by the Italian Government and the venue is at its discretion. But the FAO summit at its Rome headquarters has extraterritorial status similar to that of the United Nations in New York. Hence, U.N. officials are obviously piqued over the Berlusconi Government's proposal to shift the summit venue.

An Italian Minister vowed the other day that his country would not allow Rome to be "sacked by barbarians".

SEP 2001

THE HINDU



# Globalisation and politics

By Supriya RoyChowdhury

*We need a new politics of welfarism in the context of globalisation.*

IN RECENT months, there has been a fresh spate of public protests against globalisation, in Genoa, London and South Africa. Globalisation's inegalitarian implications are now no longer contested. As such, anti-globalisation politics and discourse have acquired a certain legitimacy. This activism, however, stems from a wide range of affected interests, which are not necessarily harmonious or even coherently related. This politics therefore lacks a paradigmatic framework as an alternative to the seemingly irreversible process of marketisation.

On the other hand, the defensive rhetoric around globalisation is remarkable not only for its coherence but also for its ability to coopt some of the central arguments of its opponent, i.e., the critical discourse, and transform it into its very own. At the same time, the defensive critique remains unshakable from the core grounding tenets of an individualistically oriented-market economy, and the palliatives that it offers for globalisation's imperfections remain vague and unstructured. More importantly, the awesome power of a predominantly consumption-oriented economic model works at multiple levels to create a reconfiguration of popular images of what is a desirable life.

This ideological apparatus obviously did not emerge overnight. And it is indeed a measure of capitalism's ingenuity that the marketisation model has traced a certain line back from the strident rightist conservatism of the Reagan-Thatcher decades to a greatly more nuanced, subtle and reassuring system of ideas that seeks to acknowledge globalisation's excesses while promoting its fundamental precepts. Thus in the 1980s, the scholarly literature that emerged from the United States on the politics of structural adjustment was barely tolerant of the critical challenges posed to liberalisation policies by popular sectors in many developing countries. This literature, reflecting the mood of the moment, focussed on the politics of economic reforms primarily from the perspective of political management. In other words, opposition and challenge to economic reforms had to be politically managed or manipulated. Scholars stressed the need for building supportive coalitions on the basis of groups that stood to gain from lib-

eralisation, playing off such groups against others, which loose out. Another recommended strategy was to ignore protests, which were likely to die out from exhaustion, and so on.

This briskness became somewhat subdued in the 1990s. The reason for this perhaps was that challenges to globalisation could no longer be categorised as only a Third World phenomenon. Increasingly, sections of the working class in industrialised countries began to voice resistance to aspects of globalisation, particularly international trade, that threatened their well being. In the U.S., the low-skilled workforce appeared to have fared the worst out of a process of internationalisation where capital was free to locate in economies which provided less costly labour. Additionally, cheaper imports from cheap labour economies threatened jobs in the domestic economy. There is now a gathering groundswell of bitterness against globalisation as an economic model that is perceived to widen the rich-poor divide between as well as within nations.

Defenders of globalisation now agree that these challenges are frequently based on real issues of deprivation, and need to be seriously addressed. The Institute for International Economics in Washington D.C., which has contributed significantly to the evolution of thinking and policies on free trade and market liberalisation, has recently published a book called "Has Globalization Gone Too Far?" The author, Harvard economist Dani Rodrik, answers in the negative. But, his central concern is to admonish "the attitude of much of the economics and policy community for downplaying the problem". He locates the sources of tension in a globalising economy in the adverse impact on unskilled labour, and in the decreasing propensity of Governments to provide social insurance. Thus in an open economy, protection for domestic producers is withdrawn, labour becomes vulnerable in the face of increasing competition and fast changing technology; and footloose capital is hard to tax, thus diminishing the state's capacity to provide welfare.

The threat to social stability arising from these imbalances is serious; "social disintegration is not a spectator sport — those on the sidelines also get splashed with mud from the field". To prevent such splashing, Rodrik stresses the need for social insurance, on evolving a via media between competition/efficiency and welfare. The bottom line, as Rodrik points out, is that "social spending is a way of buying social peace". Without social peace, globalisation may not be able to proceed.

Somewhat interestingly, there seems to be a convergence of conservative and leftist thinking on these issues. Prof. Pranab Bardhan, of the University of California at Berkeley, whose writings are identified with a broadly left of centre framework, in a recent article in the *Economic and Political Weekly* writes of the irreversibility of globalisation. Acknowledging that globalisation may indeed push the poor towards increasing economic precariousness, Bardhan nevertheless challenges the efficiency-equity trade off. According to him, micro-level solutions, at the level of "firms, farms, neighbourhoods and communities", can design "efficiency enhancing egalitarian measures not all of which are precluded by the forces of globalisation". Examples that he provides are the Grameen Bank in Bangladesh which uses the community to provide credit collateral for poor borrowers, or Japanese firms in which workers participate in a wide range of decision-making functions which enhance both equality and efficiency. These measures, supposedly, could work around the process of globalisation, providing some safeguards and opportunities for the disadvantaged, thus preserving the broad framework of the market from challenges by poorer sections.

Thus, defenders of globalisation incorporate protection of the poor as part of their discourse. This discourse, however, is largely silent on the politics of social insurance in a context of globalisation. The stress on social insurance harks back to the tenets of post-war welfarism. The essential element of the capitalist welfare state was to provide for the non-capitalist classes ac-

cess to a minimum livelihood, health and education. Welfarism was widely regarded as the only way to protect the broad framework of capitalism from lower class challenges. To this extent, the present-day defenders of globalisation have not said anything new in underscoring the importance of social insurance.

What is new is the political context in which globalisation is taking place, which is vastly different from the political dynamics which led to the formulation of the concept of the welfare state. The concept of state-provided welfare emerged in post-war western Europe in the background of decades of struggle, led by labour activists and socialist groups, for social and economic justice for large numbers of the population who did not stand to gain directly from the system of capitalist production. The organisational framework of large-scale capitalist manufacturing provided the framework for effective trade union activism. And, democratic political institutions along with socialist ideals empowered political movements for social and economic entitlements.

This context is completely absent now. As production processes are spread across countries, as enterprises take to outsourcing, subcontracting, and as a large numbers of workers are forced to work in the informal sector, the workforce is spread thin, and the conditions for organised labour activism largely disappear. Second, with the collapse of socialism, and the emergence of neo-liberalism as a monolithic ideology, there is no longer a paradigmatic reference point for those struggling to lead movements for social and economic justice. There is now a vacuum in the sphere of politics, which alone could generate and sustain a decisive shift to welfare concerns. Contrary to what the new liberal wisdom would have us believe, there are no ideal formulae for combining efficiency and equity which can be bestowed upon society by clever neo-classical economists whose hearts are in the right place. Nor can equity and justice be a gift from the state. In a market-oriented economy, rights are a question of continuous bargaining and negotiation, of systematic striving to sustain gains and moving on to the next stage of the battle. Ultimately, therefore, we need a new politics of welfarism in the context of globalisation.

# U.S. & the Sino-Russian paradigm

By P. S. Suryanarayana

**T**HE U.S. President, Mr. George W. Bush, has erased a vision-deficit in his world view. He is now willing to engage China as it exists and not as it ought to exist. Mr. Bush's goal is to pursue U.S. global interests with a greater sense of freedom. Towards this end, he has travelled a long way from engaging Russia's President, Mr. Vladimir Putin, in 'soul' games. As a result, Mr. Bush may have now waded into a revolving glasshouse of global power shift. It is a new paradigm, which consists of the U.S. as also Russia and China, and Mr. Bush is beginning to weave this in conjunction with his Secretary of State, Gen. Colin Powell, who does not always see eye to eye with the Secretary of Defence, Mr. Donald Rumsfeld. A U.S.-backed Japan will be the odd state player outside the strategic sweep of this paradigm, but Tokyo will still command a direct stake in the existence of such a trilateral framework. The emerging equation between China and Russia, besides Moscow's growing concerns in the heart of Europe, will test Mr. Bush's ideas, if Mr. Rumsfeld and other ideologues do not eventually succeed in effectively vetoing the President.

A key watchword in Mr. Bush's increasingly Moscow-centric foreign policy is trust. He says he must be able to "trust" Mr. Putin in order to redefine Washington's relationship with Moscow at this time. Mr. Bush's stated aim is to update this equation in tune with an assessment that the U.S. and Russia are not enemies in the current phase of global politics in the unfolding post-Cold War era of rising complexity. According to Mr. Bush, he is applying to the realities of today's Russia an essentially Reaganesque talisman of trusting the former Soviet Union but verifying its intentions at the same time. Moreover, Mr. Bush wants to emerge as the chief protagonist of America's new manifest destiny as a hyper-power which, in his view, could be wonderfully protected by a shield of missile defence. Mr. Reagan was the first to think of extending the frontiers of America's sense of total security to outer space.

The first Bush-Putin summit, held in Slovenia last June, evoked reminiscent comparisons with the Kennedy-Khrush-

chev encounter that occurred at a delicate moment in the U.S.-Soviet Cold War. However, in Slovenia as also Genoa, where Mr. Bush met Mr. Putin last July for the second time, the two created an impression that they managed the dynamics of their interactions much better than Kennedy and Khrushchev had done. Above all, though, some U.S. experts are now anxious that Mr. Bush, already prone to empathising with Mr. Putin whose 'soul' is transparently visible to the American's eyes, should not emulate a bad example set by Franklin Roosevelt in having at one stage thought well of Josef Stalin of

pensive nuclear arsenal will mark an immediate gain, though.

A rational question is why should the U.S. President be so solicitous of the leader of Russia which is no longer an equal to America in any sense. Mr. Bush's critics say derisively that he is joyous with the present 'boost' phase of his missile-ride towards a 'soul'-mate in a grand dream of faith. Yet, Mr. Bush's definitive calculation is not impossible to discern. To avoid a wasteful confrontation with Russia, he now wants to secure its acquiescence in his plans for a missile de-

***Mr. George W. Bush's goal is to pursue U.S. global interests with a greater sense of freedom... The emerging equation between China and Russia will test his ideas.***

the Soviet Union. A lasting image of the recent Bush-Putin summitry is a cameo of the U.S. President's impressionistic diplomacy. Mr. Bush has outlined in a major press interview the circumstances in which he told a forlorn Mr. Putin that their recent meeting in Slovenia "could (indeed) be the beginning of (their) making some fabulous history".

In Mr. Bush's view, Mr. Putin's worries are traceable to the reality of Russia being saddled with the liabilities of the former Soviet Union in the absence of anything resembling the old state's asset-base. It is in this context that Mr. Bush is now hoping to strike a purposeful deal of coexistence with Russia. While in Slovenia, the two agreed upon little beyond feeling comfortable in the presence of each other's 'soul'. In Genoa, Mr. Bush and Mr. Putin decided that Russia could enter into consultations with the U.S. over its controversial plans for a missile defence shield. As part of the same bargain, the two will also negotiate deep cuts in their respective strategic nuclear arsenals. Russia's eventual consent for an American missile defence system will benefit Washington, although such a nod by Moscow is not guaranteed at present. For an economically weak Russia, on the other hand, a scale-down of its prohibitively ex-

pendent defence network which is explicitly forbidden under the U.S.-Soviet Anti-Ballistic Missile Treaty of 1972. Mr. Bush's eagerness to secure Mr. Putin's consent is rooted in a reasoning that indefinite time is indeed required to perfect the knowhow of the proposed missile defence umbrella. Some critics even argue that a missile defence system may well remain a pipe dream and that Mr. Bush is simply doing the bidding of America's military-industrial complex which has grown by leaps and bounds since Eisenhower so christened it.

Mr. Putin has taken these perceptions into account. An issue that neither Russia nor the U.S. openly talks about is whether the countries opposing Washington possess the technical skills to surpass it in the development of missile defences. So, the global spotlight lingers almost entirely on the diplomatic strategies of the major powers. Mr. Putin has been quick to strike a strategic deal with China in the name and style of a treaty of friendship and cooperation. Obviously, Russia and China are diffident of being able to match the U.S. with the kind of resources needed, quite irrespective of the parallel poser about technological resourcefulness. This should explain the cheerful manner in which Mr. Putin and Mr. Jiang Zemin of

China have now made common strategic cause. The U.S. does not, of course, want to be outmanoeuvred. So, Mr. Bush has fielded Gen. Powell, less of a foreign policy hawk, to open a definitive dialogue with China for a strategic engagement that could, if carried forward, confound Russia to some extent. A variant of Richard Nixon's passage to China in the early 1970s, with the obvious difference that Russia and China are at present on friendly terms in striking contrast to the Sino-Soviet rift that the Nixon-Kissinger team then sought to exploit.

Russia, too, does not want to sit idle now. The 'soul' games that Mr. Putin wants to play with Mr. Bush relate to some subtle suggestions that Russia should not any longer be the focus of the U.S.-led North Atlantic Treaty Organisation. Mr. Bush will not budge from the idea of a fresh wave of NATO expansion that could only increase Russia's sense of insecurity, but he is willing nonetheless to view Moscow as a European power.

There is, however, a no-nonsense message to Russia in the U.S. President's current assertion that no more Munichs and no more Yaltas will be countenanced. Washington will neither appease the other major entities, including the European Union, nor share power with them to create a post-modern world order. The U.S., therefore, campaigns for the inevitability of a new Washington-guided global strategic framework. So, if Mr. Putin considers it prudent to humour China, Mr. Bush is also conscious of the need to shore up America's strategic front with Japan. The Japanese leadership has also significantly welcomed the idea of playing a U.S.' surrogate once again. Tokyo's reasoning is that missile defences and defensive doctrines harmonise with post-imperial Japan's own ideology. An emerging power like India is also being consulted by the U.S., because the advantages of Washington's consensual ascension to the status of a paramount power are not lost on Mr. Bush.

# SECURITY THREATS

## Chinese Dragon Or Uncle Sam's Cabin?

**G**EORGE Bush plans to go in for Nuclear Missile Defence to ensure his country is not taken by surprise by a rogue state. India itself faces this problem. A nuclear holocaust by any miscalculation or intense hatred of a country considered hostile will be the end of a civilised world.

Violent reactions are naturally expected from Russia, once a super power and still a powerful nuclear state; and China with ambitions to dominate Asia. Every country determines its perception of threat and plans its defence accordingly. Weak nations seek allies as happened after World War II, creating alliances such as NATO and Warsaw pact. With the break up of the USSR, the US is the only super power, militarily and financially. And they have no intention of losing this status.

The strong criticism of America by our experts and opposition political parties is surprising. Their main fear is that America will become the sole super power and our endorsement will adversely affect our relations with Asian allies. No names, however, are mentioned. To be frank we have no friends in Asia or the world. It is incomprehensible that our experts are ignorant of our recent history since 1947. Mr Vajpayee has clarified that the aim of NMD is to ensure safety of the world against any misadventure by a rogue state. Bigotry and blind hatred developed over the years does not help in international relations.

### FRATERNAL

Let us understand there are no permanent friends or permanent enemies. Only the country's interests are permanent. Our governments since 1947 flourished on slogans and sermons oblivious of threats to the country. Let us have a brief look on our relations with China and Pakistan. Nehru, of the imperious temperament, was intolerant of any advice. He ignored Sardar Patel's 1950 suggestion to beware of China. His gospel of non-violence, panch-sheel and *Hindi-Chini-Bhai-Bhai* became the hallmark of our foreign policy. The Chinese occupation of Tibet in March 1959 opened his eyes but it was too late. The final humiliation came in November 1962 when China launched an unprovoked attack in Arunachal Pradesh, which shattered Nehru both physically and mentally.

At this hour of humiliation only two powers, America and Britain came to our assistance, the two countries derided by us. Our friends in the non-aligned movement, Nasser of Egypt and Tito of Yugoslavia advised us restraint. For the Russians the Chinese were their fraternal brothers and the Indians just friends. Let us never forget this.

The Chinese again intruded in Arunachal in 1986 and occupied Sum Dorong Chu Valley and still lay claim to Arunachal, Sikkim, Darjeeling and 90,000 km, not yet specified, besides having occupied Aksai Chin area. Recent reports by our ministry of defence that

By SR NANDA  
every major city in India is within the reach of Chinese missiles and that China is augmenting Pakistan's capabilities in its striking power to include submarine launched ballistic missiles, in order to achieve its goal of being a superpower in the Asian Continent, somewhat akin to the South East Asia Co-Prospereity sphere the Japanese had dreamt in World War II.

It is not only India that is wary of China but Vietnam and Japan as well. "Jane's Fighting Ships 2000-01", the most au-

thentic source of information

allies to checkmate China. The Chinese ambassador to India has advised us not to support the NMD. The Ambassador also feels that Russia, China and India share similar views on world issues — the latest kite flying exercise. China has suddenly woken up to realities when its hegemonism in Asia is threatened. India must be naive to fall in their trap. Leftist intellectuals and prominent writers appeal for a settlement. But on what terms? Why do they not appeal to the Chinese to return Tibet to the Tibetans and openly declare that they have no designs or claims on our territory?

One eminent writer has called our "endorsement of NMD as demeaning", another thought it "long on flowery rhetoric, short on realism". Our former foreign secretary, Salman Haidar wonders "how closely we have weighed the implications of our decision on our traditional friendships and established ties." But he is silent on who these traditional friends are. We have none. The NDA government is trying its best to have some.

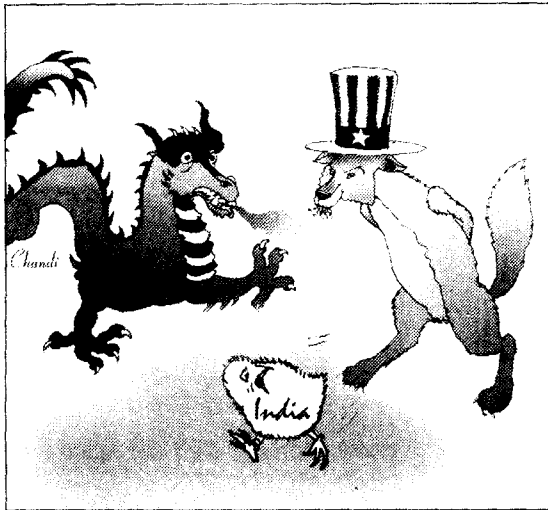
With the kind of foreign policy expertise that we have we suffered humiliation in 1962, and find ourselves in a mess in Jammu & Kashmir and in the northeast. Surprisingly, the world ignores Chinese hostility against India. I pose the following question: rather than entering the Chinese Dragon or co-habiting with the Russian bear, would it not be safer to enter what some writers have derisively called "Uncle Sam's Cabin"? We gratefully accepted this shelter in 1962. Now we have the strength somewhat to stand on our legs after Pokhran tests II and III, and it should not be easy to kick us around.

### SINO-PAK ENTENTE

Hatred of India is the *raison d'etre* of Pakistan's existence. It fought four wars with India between 1947 and 1999, and is waging a proxy war for over a decade. China developed close relations with Pakistan since 1966 on the basis of the old statecraft — your enemy is my enemy. Thanks to China's nuclear and missile technology, Pakistan has attained nuclear status. During Chinese premier Zhu Rongji's recent visit to Pakistan in May, he lauded General Musharraf for the 1999 coup and praised him for establishing stability in Pakistan. As a *quid pro quo* the General endorsed China's fear of the NMD and TMD (Theatre Missile Defence).

Trade, commerce, and cultural relations are not feasible between India and Pakistan while the two armies face each other in J&K and Pakistan is engaged in proxy war against India. General Musharraf has often threatened a nuclear war. Power is too serious a matter to be left in the hands of generals, and absolute power corrupts absolutely.

During the 20th century two generals changed the future of their countries and enhanced their prestige the world over — General Kemal Ataturk of Turkey and General De Gaulle of France. Let us hope Musharraf succeeds as the Ataturk of Pakistan, an ambition he expressed after his coup in October 1999.



thentic source of information on armed forces, throws light on the latest Chinese activities against India and Vietnam. "In 1998 Beijing wrested control of a number of Vietnamese islands in Spratly Islands in the south Pacific and hence the latter has beefed its military presence fearing a repeat episode." None of its neighbours trusts China and I say this because of my impressions during one year's stay in Vietnam, Laos and Kampuchea. Though weak these countries are proud of their heritage and refuse to accept Chinese lordship. In the 1970s, Vietnam was invaded twice by the Chinese.

Nearer home, "Tension in Indo-China Border" in Jane's Intelligence Digest in November 2000 is an eye opener. In the 18 months China committed over "100 incursions especially in Ladakh and Arunachal Pradesh at an alarming level." Chinese naval activity in the Pacific and nuclear submarines seen in the Indian Ocean left no option except to adopt a pro-active policy by India. No wonder Vajpayee's government was forced to declare China as enemy no 1 and Pokhran tests II and III ordered in 1998. What a hue and cry was raised in India then by political parties. But all kept silent when China became a nuclear power. The CPI had not even condemned China during the 1962 war.

### LEFT'S BETRAYAL

According to the Jane's Digest even Japan is alarmed at the Chinese activities in the Pacific and Indian Oceans. This is leading to changing political equations in Southeast Asia. Even Malaysia and Singapore are apprehensive. India has already established regular defence consultations with Vietnam and Japan and held joint naval exercises including Malaysia in 2000. Singapore has also agreed in principle to join such exercises and one of its senior ministers felt that China and Pakistan are rogue states. Recently our foreign minister during June this year had also visited Australia and New Zealand. There will be no peace unless we either surrender to Chinese demands or we seek

The author is Colonel (retd.), Indian Army.

THE STATESMAN

9 AUG 2001

# Who is afraid of globalisation?

ASH NARAIN ROY

92/6  
I wasn't long ago that the most as-  
tringent critiques of globalisation  
came from the Left. That was when  
the neo-liberals made a god of the mar-  
ket. The leftists continue to blame glob-  
alisation not only for making fat cats fat-  
ter and the poor poorer, but also  
undercutting human dignity and na-  
tional pride. But they are not alone to do  
so. Today, even the protagonists of glob-  
alisation talk of the backlash. The pro-  
testers are not merely the lunatic fringe.  
In Genoa they even drew their first  
blood. Globalisation, to them, is a mani-  
festation of footloose capitalism.

Curiously even the one-time cham-  
pions of untrammelled markets have  
begun to back-pedal on the wonders of  
globalisation. A few years ago, when  
George Soros, lionised by the West for  
chanting the capitalist mantra, wrote in  
*Atlantic Monthly* that the "arch-enemy  
of an open society is no longer the com-  
munist threat but the capitalist one", all  
hell broke.

In 1996, while attending the Davos  
meet, Sir Leon Brittan, vice-president of  
the European Commission, admitted  
that the international consensus in  
favour of globalisation was not universal.  
Paul Krugman, a neo-classical purist,  
called for the introduction of exchange  
controls, albeit temporarily and that too  
in the pages of *Fortune* magazine. Even  
the lingo of the World Bank and the  
IMF that echoed the mantra of market

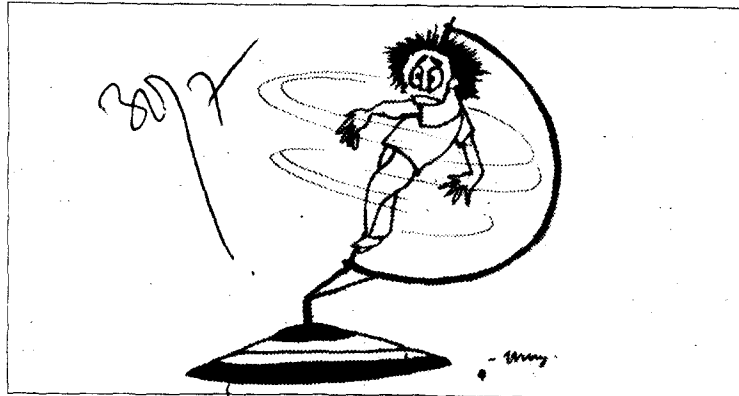
has changed. And now Klaus Schwab,  
founder of the World Economic Forum,  
talks of a "systemic failure".

What went wrong? When Marxism  
collapsed, the *Economist* wrote rather  
pompously that the health of capitalism  
would now determine the 'Future of  
Civilisation'. It also claimed that capital-  
ism "works well for most of the people  
most of the time" and that it is "the surest  
and quickest way of lifting most of the  
countries' population out of poverty".  
Globalisation soon hardened into a dog-  
matic and monolithic creed that brooked  
no opposition. Every nation was expected  
to drink globalisation's cup of hemlock  
for the greater glory of market.

While it took nearly a century for the  
US to reduce tariffs, the developing  
world was asked to end protectionism  
overnight. The developing world fol-

lowed all that it was asked to do. And yet,  
the economic paradise promised by un-  
limited, uninhibited and inescapable  
global free trade has proved illusory. The  
globalisation zealots promised that the  
unhindered trade and the rising tide of  
prosperity would lift all boats. But what  
happened? While the share of world  
trade grabbed by the only super power  
over the past two decades increased  
rapidly, and the boats of the rich coun-  
tries got bigger, those of the poor have  
been shrinking and sinking.

Today, even globalisation's advocates  
accept that its benefits are not unalloyed.  
There are winners and there are losers.  
Yes, foreign investment has increased  
sevenfold since 1999, but nearly 70 per  
cent of it is going from one rich country to  
another, with another 20 per cent going to  
just eight developing countries.



As the globalisation backlash gathers  
momentum, more and more Third  
World regimes have begun to question it  
from above. In Latin America, in partic-  
ular, the failure of the neo-liberal model  
has prompted some to echo the pre-glob-  
alisation arguments that Latin American  
and other emerging markets are either  
not ready, or else not suited, for liberal  
economic internationalism.

Two years ago Henry Kissinger war-  
med that the political leaders "can't sur-  
vive as advocates of near permanent  
austerity on the basis of directives im-  
posed from abroad". Some of the Latin  
American regimes have begun to pay  
the price for their new zeal for market.  
The victory of populist Hugo Chavez in  
Venezuela is an indicator of the shape of  
things to come if there is no material  
change in the quality of life of the people.

The anti-globalisation protests  
need to be taken seriously. Rather than  
demonising them, the issues raised by  
them must be addressed. Globalisation  
is inherently not bad. But its benefits  
are unevenly shared and its costs un-  
fairly distributed. What the world nee-  
ds is compassionate globalisation  
based on the principle of justice and eq-  
uity and not serfdom. The developing  
world is not looking for charity, but  
equal opportunity.

The writer is on the faculty of the Institute of  
Social Sciences, New Delhi

# Protesters rally ahead of rioter's funeral

Rome, July 25

THOUSANDS OF anti-globalisation protesters opposed to the Government's handling of riots that marred a Group of Eight summit in Genoa marched in Rome on Tuesday on the eve of the funeral of a young demonstrator killed during the unrest.

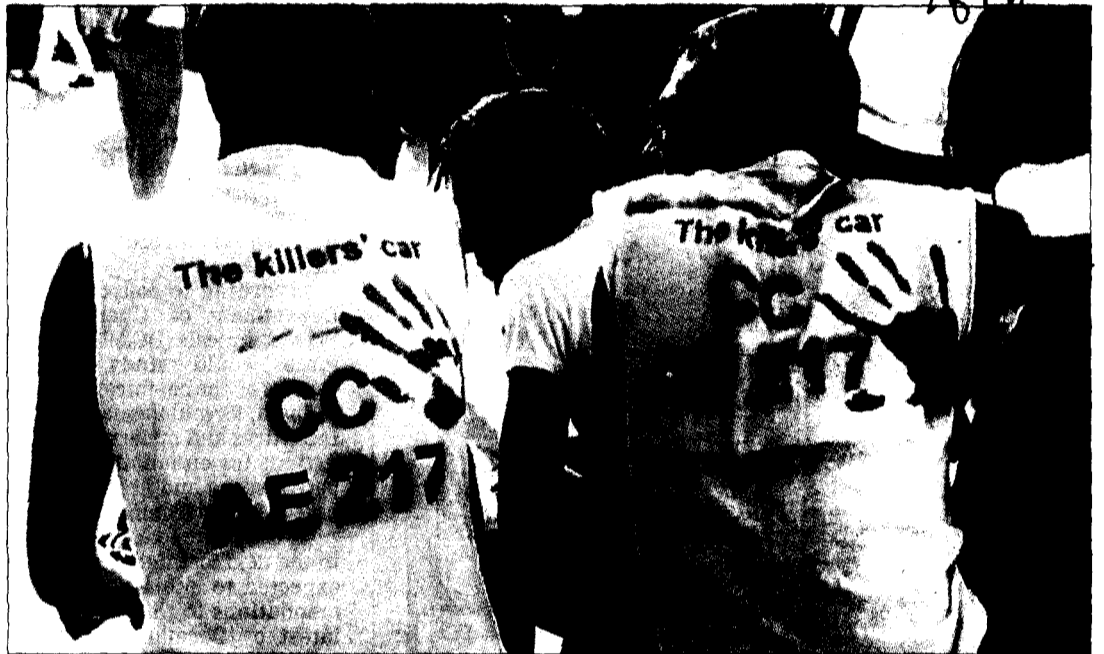
The umbrella anti-globalisation movement, the Genoa Social Forum (GSF), spearheaded the march of self-professed peaceful activists which set off from near Rome's main train station.

Riot police wearing helmets and batons preceded the demonstrators who carried banners.

The environmental organisation Legambiente, political parties like the refounded communists and the greens, other grassroots organisations and the largest Opposition party, the left-wing democrats, joined the march.

The Left-wing democrats, unlike the other groups, had been conspicuously absent from a peaceful demonstration that drew some 150,000 people to the streets of Genoa on Saturday.

Riot police cordoned off the area around the interior ministry, which lies off the path



Two men wearing anti-globalisation T-shirts attend Carlo Giuliani's funeral in Genoa. Giuliani was killed on July 21 in Genoa during the anti-globalisation protests at the G-8 summit.

taken by the demonstrators.

As Interior Minister Claudio Scajola gave the Government's official account of the Genoa incidents late on Monday, hundreds of demonstrators rallying

outside the parliament vented their fury over the shooting death of the protester in riots near the G8 venue of the July 20-22 summit.

Scajola told parliament the

police officer who was charged with murder after the death on Friday of 23-year-old Carlo Giuliani "fired two shots without aiming".

AFP



# সিয়াটল থেকে জেনোয়া

## ছোট পৃথিবী বনাম বড় পৃথিবী

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World Affairs

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### সেমন্তী ঘোষ

ইতালির জেনোয়া শহরের বাসিন্দারা পড়েছিলেন বিষম চিন্তায়। চার দিকে যুদ্ধকালীন ব্যস্ততা, সাজ সাজ রব। কদিন ধরে শুধু যে দোকানপাট, কাজকর্ম, স্কুলকলেজ বন্ধ, তা-ই নয়, গোলমালের ভয়ে আগে থেকেই বাড়ির বন্ধ করে অনা কোনও মূল্যকে পালানো উচিত কি না, সে চিন্তাও ছিল। জুলাই মাসের ২০ থেকে ২২ তারিখ ওই শহরে জি-৮ শীর্ষবৈঠক উপলক্ষে আটটি উন্নত দেশের (বস্তুত সাতটি উন্নত দেশ এবং রাশিয়ার) রাষ্ট্রপ্রধানরা এসেছিলেন ইতালিতে, সাঙ্গোপাঙ্গদের নিয়ে। কিন্তু সেটা আসল কথা নয়; আসল কথা হল, সঙ্গে সঙ্গে শহরে ঢুকেছিলেন আরও লাখখানেক মানুষ, জি-৮ বৈঠকের বিরুদ্ধে প্রতিবাদ জানাতে। ইতালি সরকারের মতো জেনোয়ার সাধারণ মানুষও জানতেন, এই প্রতিবাদ তুচ্ছ করবার ব্যাপার নয়। শিল্পসমৃদ্ধ দুনিয়ার অর্থনৈতিক 'একাধিপত্য' আর বহুজাতিক সংস্থাগুলির স্বেচ্ছাচারের বিরুদ্ধে বিক্ষোভ কোন পর্যায়ে যেতে পারে, তা গত ক'বছরের অভিজ্ঞতার পর জানতে আর বাকি নেই। সুতরাং, যুদ্ধকালীন আয়োজন। সরকারি তরফে প্রায় ১০ কোটি ডলার ব্যয়ে তৈরি হয়েছিল নিশ্চিহ্ন নিরাপত্তা। আর নিরাপদ 'রেড জোন'-এর বাইরে ছড়িয়ে থাকা সাধারণ নাগরিকেরা শ্রাণ নিয়ে ভয়।

এত ভয়, এত সতর্কতা, কোনওটাই নেহাত অমূলক ছিল না। যা আশঙ্কা করছিলেন পুরনো বন্দর-শহর জেনোয়ার বাসিন্দারা, প্রায় তা-ই ঘটল। ২০ জুলাই আন্তর্জাতিক বৈঠক শুরু হতে না হতেই রাস্তায় ছড়িয়ে পড়ল বিক্ষোভ। এক দিকে পুলিশ, অন্য দিকে প্রতিবাদ মিছিল, খণ্ডযুদ্ধ লেগে গেল চারদিকে। নিহত হলেন

এক জন ইতালীয় বিক্ষোভকারী যুবক। কাঁদানো গ্যাস, লাঠিচার্জ, নিরাপত্তারক্ষীদের প্রবল প্রতাপে জনশূন্য হয়ে যেতে লাগল একের পর এক রাস্তা। শেষ পর্যন্ত শীর্ষবৈঠক ঠিক মতোই হতে পেরেছে। কিন্তু জেনোয়ার নাম ইতিহাসে লেখা হয়ে গেল, আন্তর্জাতিক ধনতান্ত্রিক শক্তির বিরুদ্ধে গর্জে ওঠা পথের প্রতিবাদের প্রথম মৃত্যুর ঘটনা জোরে।

অনেক প্রত্যক্ষদর্শীর মতে, ঝামেলা যাঁরা বেশি করছিলেন, তাঁরা কেউ সত্যিকারের বিক্ষোভকারী নন, নেহাতই শহরের নৈরাজ্য-প্রেমী ছেলেমেয়েদের দল। কিন্তু কে প্রতিবাদী, আর কে কেবলই নৈরাজ্যের সুযোগসন্ধানী, সে বিচার একেবারেই দুঃসাধ্য। জেনোয়ায় জড়ো হওয়া প্রায় এক লক্ষ প্রতিবাদী মানুষের মধ্যে— কি লক্ষ্যে, কি বক্তব্যে, কি পদ্ধতিতে— বৈসাদৃশ্যই ছিল বেশি। বিক্ষোভকারীদের কেউ কেউ যেমন তাঁদের আয়োজনের মধ্যেই একটা শান্তিপূর্ণ 'সত্যার্থী' ভাব ফুটিয়ে তুলছিলেন, ছোট ছোট সাদা তাঁবু খাটিয়ে, পুস্তিকা বিলি করে, বক্তৃতা-আলোচনার ব্যবস্থা করে একটা প্রচার পালাতেই ব্যস্ত ছিলেন, তেমনই আবার শাপাশি ছিল উগ্রপন্থীর দল। ব্যানার-

ফেস্টুন-প্যামফ্লেট ইত্যাদির চেয়ে তাঁদের বেশি মনোযোগ ছিল 'ডিরেক্ট অ্যাকশন'-এ। ইতালীয় একটি অ-সরকারি প্রতিষ্ঠান (এন জি ও) 'তুত বিয়াশ'-এর ('শ্বেত পরিধেয়') কর্মকর্তা ক্যাসারিনি তো সোজাসুজি সাংবাদিকদের বলেই দিলেন, 'ডিরেক্ট অ্যাকশন' বা আইন অমান্য আন্দোলন কী ভাবে চালানো হবে, এ নিয়ে তাঁরা গোটা মাস ধরে প্রস্তুতি নিয়েছিলেন। তাঁরা তৈরি সংঘর্ষের জন্য, 'অল আউট' সংঘর্ষ।

শেষ পর্যন্ত জেনোয়ায় রক্তপাত তত বেশি হয়নি অবশ্য। নিরাপত্তা কর্মীদেরই কৃতিত্বে। কিন্তু প্রতিবাদীরাও রইলেন, প্রস্তুতিও রইল, আগামী সুযোগে আবার তাঁরা পথে নামবেন, ১৯৯৯ সালে সিয়াটল-এ বিশ্ব বাণিজ্য সংস্থার (ডব্লিউ টি ও) বৈঠক উপলক্ষে যে প্রবল বিক্ষোভ হয়েছিল, তার পর বার বার এই একই ঘটনার পুনরাবৃত্তি দেখা গেছে, এবং ধরে নেওয়া যেতে পারে এই প্রতিবাদের ধারা আগামী দিনেও একই ভাবে দেখা যাবে। ওয়াশিংটন ডি সি-তে আন্তর্জাতিক অর্থ ভাণ্ডার (আই এম এফ) বা বিশ্বব্যাঙ্ক-এর বৈঠকের সামনেও ২০০০ সালে এই প্রতিবাদীরা ছিলেন, ছিলেন কানাডার ক্যালগারিতে ওয়ার্ল্ড পেট্রোলিয়াম কনফারেন্স-এর সময়েও। এ যে একটা

করে দেওয়ার ক্ষমতা রাখে। এই দিক দিয়ে, নৈরাজ্যবাদী দর্শনের এমন প্রয়োগ আধুনিক পৃথিবীতে আর দেখা গেছে কি না সন্দেহ। একই ধারার চিন্তায় বিশ্বাসী ব্যক্তিমামুবেরা জড়ো হন এক জায়গায়, পরস্পরের ভূমিকা আলোচনা করে নেন আগে থেকে, তার পর চলে যান বিক্ষোভ-কেন্দ্রে। সেখানে তাঁরা হাত মেলান সমভাবাপন্ন অন্যান্য গোষ্ঠীর সঙ্গে। কারও বিশেষ অগ্রাধিকার থাকে না, সবাই সমান গুরুত্ব পান, তাই কেন্দ্রীয় সংগঠন না থাকলেও নিজেদের মধ্যে খোঁজোখোঁজি প্রায় হয় না বললেই চলে। কেউ বেছে নেন সাংগঠনিক কাজ। কেউ বেছে নেন আইনি পরামর্শের আয়োজন। কেউ আবার 'অন দ্য স্পট' বিক্ষোভের আয়োজন কাঁধে নেন। ওয়াশিংটনের আই এম এফ-বিরোধী বিক্ষোভেও যা হয়েছিল, জেনোয়ার আগেও ঠিক তাই: এই সব গোষ্ঠীর কর্তব্যজ্ঞিতা প্রায় বছরখানেক ইন্টারনেটে পরস্পর যোগাযোগ করে সব ব্যবস্থা পাকা করে ফেলেন।

বিক্ষোভ শুরু হওয়ার আগের পর্যায়ে ইন্টারনেট, এবং বিক্ষোভ চলাকালীন সেলফোন, এই হল নতুন যুগের নতুন প্রতিবাদী সংস্কৃতির দুই মূল হাতিয়ার। সন্দেহ নেই, এই বিশাল সংখ্যক গোষ্ঠী বা সংস্থাগুলিকে এক জায়গায় জড়ো করতে পারার জন্য প্রধানত দায়ী— ইন্টারনেট। বাড়িত বসে ন্যূনতম খরচে এই যে বিশ্বময় যোগাযোগের উপায়, তা কেবল ব্যক্তিগত জীবনের খোলনলচেই পাল্টে দিচ্ছে না, সামাজিক রাজনৈতিক দিক দিয়েও সুদূরপ্রসারী পরিবর্তন আনছে। আর সেলফোন সম্ভব করছে ভ্রাম্যমাণ মানুষের সঙ্গে তাৎক্ষণিক যোগাযোগ। এক জন ব্যক্তির অবস্থান-নিরপেক্ষ ভাবে তার কাছে মুহূর্তে পৌঁছে যাওয়ার উপায়। এর থেকেই বোঝা সম্ভব, এই ধরনের বিক্ষোভ সংগঠন করার জন্য মোটেও বিপুল আর্থিক ভিত্তির দরকার হয় না। অনেক সময়ে



'ভুমি জি৮, আমি জি১': ক্ষুধার্ত বালকের বোধশূন্য। জেনোয়ায় প্রতিবাদীদের একটি ব্যানার। ছবি: এ এফ পি

ধারাবাহিক বিক্ষোভ, সে বিষয়ে অংশগ্রহণকারীরাও রীতিমতো সজাগ। তাই এবারকার প্রধান আহ্বায়ক গোষ্ঠী 'জেনোয়া সোস্যাল ফোরাম'-এর বক্তব্যের শিরোনাম ছিল: নেস্ট স্টপ জেনোয়া। ফোরামের ডাকে এ বার সাড়া দিয়েছিল ৮০০'র বেশি গোষ্ঠী, যাদের মধ্যে বিশেষ উল্লেখ্য রাশিয়ান ট্রেড ইউনিয়ন ফেডারেশন, গ্রিক কনফেডারেশন অব লেবার, উইমেন ওয়ার্ল্ড অর্গানাইজেশন ওয়র ভায়োলেন্স অ্যান্ড পভার্টি, ওয়ার্ল্ড ওয়াইল্ড লাইফ ফাণ্ড, গ্রিনপিস, মেডর্জ সঁ ফ্রঁতিয়ের ইত্যাদি এন জি ও।

বিশ্বায়ন-প্রতিরোধ বিক্ষোভমালার এটা একটা বৈশিষ্ট্য: নানা দেশের নানা মতের নানা দল এক সমতলে দাঁড়িয়ে একটা প্রতি-মেরু তৈরি করার চেষ্টায় থাকে। কোনও কেন্দ্রীকরণের চেষ্টা না থাকার ফলে, অনেক বেশি সংখ্যক লোক এতে যোগ দিতে পারেন, অনেক বেশি সংখ্যক মানুষকে অবহিত করা যায় বিক্ষোভের গুরুত্ব বিষয়ে। সিয়াটল, ওয়াশিংটন ডি সি আর জেনোয়া প্রমাণ করতে পারল যে কোনও কেন্দ্রীয় সংগঠন ছাড়াই কেবল লক্ষাধিক মানুষের মেলা ক্ষমতাবানদের আন্তর্জাতিক বৈঠক প্রায় পণ্ড

নিভান্ত ব্যক্তিগত উদ্যোগেই তা সম্ভব। কখনও আবার সদস্যদের কাছ থেকে চাঁদা তুলে, টি-শার্ট, ব্যাজ ইত্যাদি বিক্রি করে টাকা তুলেও বিক্ষোভ-কেন্দ্রে যাতায়াতের খরচ বহন করে গোষ্ঠীগুলি।

এই ভাবেই পৃথিবী জুড়ে তৈরি হয়ে উঠেছে আর এক প্রতিরোধী পৃথিবী। কখনও আক্রমণের লক্ষ্য বহুজাতিক-কর্পোরেট শক্তি, কখনও রাজনৈতিক বা সামাজিক নেতৃ-শীর্ষ, কখনও আধুনিক উন্নয়ন প্রকল্প। কারও মতে মুক্ত বাণিজ্যই বন্ধ হওয়া উচিত, কেউ হয়তো কেবল বহুজাতিক-বিরোধী। কেউ চান চলতি ব্যবসা-বৃত্তির মধ্যেই আর একটু মানবিক ছোঁয়া, কেউ আবার বর্তমান ব্যবস্থাটাকেই ভেঙে ফেলতে চান। কারও পরিবেশ সংরক্ষণের প্রতিজ্ঞা, কেউ মানবাধিকার-রক্ষায় নিবেদিতপ্রাণ। ছোট ছোট বৃন্তে কাজ করেও এঁরা সকলে আজ বড় বড় শক্তির নাভিস্থা উঠিয়ে দিতে পারেন। ক্ষমতার মাপে পার্থক্য অপরিসীম হলেও মুখোমুখি সংঘর্ষে আসতে পারে আজ ছোট পৃথিবী এবং বড় পৃথিবী। আধুনিক তথ্য-প্রযুক্তির যুগের হয়তো এটাই এখনও অবধি সবচেয়ে বড় অবদান।

# Genoa is not enough, MNCs are next in line

YAROSLAV TROFIMOV & HELENE COOPER  
GENOVA, ITALY

**B**USINESSES better brace themselves for some unwanted attention.

Even as activists and police clashed during the weekend in the most violent protests against globalisation to date, demonstration organisers are making plans to expand their targets beyond the big summit meetings that have become a lightning rod for free-trade critics.

And multinational companies of all sizes are next on the hit list.

"We're not spending all of our time trying to influence legislators and governments anymore," said Mike Brune, campaigns director for the Rainforest Action Network, an environmental group that sent nonviolent protesters to the meeting here of leaders from the seven major industrialised nations and Russia.

"We're going after the root of the problem," Brune said. "Corporate campaigns are the next frontier — and definitely it's companies like CitiGroup, Boise Cascade and Exxon that will be seeing this for sure."

On Wednesday, demonstrators from 16 organisations plan to hit the Itasca, Ill., headquarters of Boise Cascade Office Products, the paper and forest-products company. The protesters say they will block traffic and shut down the company's front offices to register their disapproval of its logging of old-growth forests. Another corporate target up for a "direct-action" hit is District of Columbia General Hospital, where protesters are focusing on the Washington facility's privatisation. Formerly run as a municipi-

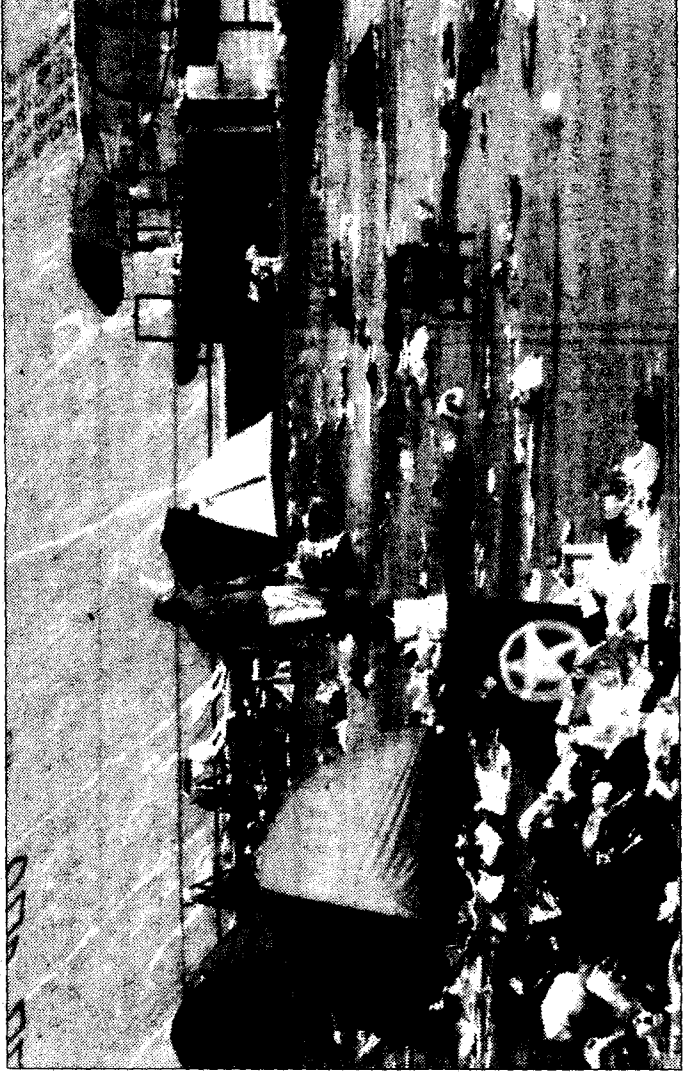
pal agency catering primarily to the city's poor, D.C. General ran into financial problems and its management was turned over to a private medical group this year.

"The movement will not settle for summit-hopping anymore," said John Sellers, head of the Ruckus Society, which helped spearhead the 1999 World Trade Organisation protests in Seattle that helped launch the antiglobalisation movement.

By almost all counts, the Genoa conference, which drew close to 100,000 protesters and 15,000 police, was a seminal event. Violence erupted on both sides in this Mediterranean port city: from a fringe of anarchists, who threw Molotov cocktails into bank offices and set cars on fire, to the police themselves, who beat protesters and even journalists. By Sunday evening, the toll was the highest yet for a globalisation protest: one dead, 450 injured, tens of millions of dollars in damage and a large part of the city devastated by riots.

Early Sunday, Italian police raided a school building housing activists and arrested all 92 people inside. Afterward, the building was covered with pools of blood and littered with smashed computers. Several reporters at the school were hurt; one had his arm broken. Police said 61 of the detainees had been wounded in riots that preceded the raid, but neighbours described hours of beatings and screaming coming from the school during the raid.

Speaking at a news conference at the end of the Group of Eight summit, Italian Prime Minister Silvio Berlusconi said anarchist members of the 'Black Block' — a small roving band behind most of the weekend's vio-



## The fatal shooting on Friday of a 23-year-old man may well have provided the movement with its first martyr. But the violence in Genoa also has distanced more-radical protesters from moderate organisations, prompting many to wonder whether demonstrating at big international gatherings hasn't become counterproductive

— "apparently were hiding (in the school) and were helped by Genoa Social Forum representatives" who were "colluding with the rioters."

To justify the action, the police displayed "weapons" seized at the school: Apart from two bottles filled with gasoline, the confiscated items consisted of cellular telephones, swimming goggles, motorcycle helmets, tan-

ning lotion, tissue and a packet of headache pills. Police also displayed nails and hammers, but those were plentiful at a construction site within the school.

The fatal shooting on Friday of a 23-year-old man who apparently was throwing a fire extinguisher at the police may well have provided the movement with its first martyr. But the violence in Genoa by more-radical

governmental organisation that advocates forgiving part of Third World debts to the World Bank and other lenders and bondholders in industrialised nations. Adds Maria Grazia Francescato, leader of Italy's Green Party: "The movement should rethink its entire strategy... We can't be responsible for devastating entire cities every time we hold a demonstration."

But Genoa has brought into sharper focus the expansion plan protest leaders have been working on: shifting to corporate targets. Last month, hundreds of biotechnology opponents demonstrated in San Diego outside of a biotech-industry convention. To be sure, activists have targeted companies for years. For instance, Greenpeace has long waged a war against oil companies. But these efforts mostly have been episodic and uncoordinated. Now, the globalisation protesters have substantial numbers on their side, and they want to turn the "juice" they have stoked from previous demonstrations toward specific corporate targets.

For the companies, getting hit can hurt. "It certainly is a harassment campaign, and it's directed at our employees and our customers," said Boise Cascade public-relations manager Michael Moser. In October, three activists were arrested when they broke into Boise's corporate headquarters in Boise, Idaho, to try to rappel off the roof. Moser maintains that less than three per cent of the wood used by the company is old-growth, but he said nonetheless, Boise executives have met with the activists thrice during the past year.

(The Wall Street Journal)

## Grounded in Genoa

Is globalisation really working for everyone? Clearly not. Why else would the muscular G-8 grouping feel the need to hold its next meeting in a remote part of Canada? Could it be to avoid the kind of violent confrontation that greeted the leaders of the rich man's club at its recent Genoa meet? Irrespective of the location, protesters appear magically to materialise at the venue of meetings of wealthy industrialised nations whether the topic of discussion is climate change, trade regimes or globalisation. They are neither organised nor funded by any powerful grouping, yet increasingly, their voices are being heard and all too often silenced quite brutally. There can be no quarrel with the theme of the G-8 meet — poverty alleviation. Indeed, G-8 debutante George W Bush could not have put it better when he said, "A world where some live in comfort and plenty while half of the human race lives on less than \$2 a day is neither just nor stable." But the proof of the pudding lies in the giving so to speak. The US gives a niggardly 0.1 per cent of GDP in aid and this year's budget does not promise any increase in this figure. The US could proffer the excuse that its economy along with that of the European Union and Japan are on a downward spiral but this cannot be used to put off tackling the many problems of an inequitable globalisation. Mr Bush is on the right track when he says the World Bank should change its policy of paying out loans and give out grants instead to help poor countries avoid the debt trap.

But once again, he overlooks the bottomline — the Bank needs money from rich countries like the US in order to do this. Likewise, despite having recognised the potentially fatal consequences of the HIV/AIDS epidemic, the Bush administration is willing to part with only a miserable \$200 million for the global war chest to combat the disease. UN secretary general Kofi Annan's projected estimate for such a fund is in the region of \$ 7-10 billion per annum. Protests of the kind witnessed in Genoa are indicative of the extent to which people have been alienated from the forces and decisions that affect them so profoundly. However, there can be no argument for allowing the rage and helplessness of those left out of the loop to manifest itself in the kind of violence which one saw in Genoa. Rather people should be taken into confidence on issues like globalisation which affect literally every aspect of our lives. At present, the word globalisation is often synonymous with rampaging multinationals and trade protectionism by the wealthy. If, as the G-8 promises, globalisation could be made to work for the poor, then genuine empowerment could take place. For a start, the G-8 could think of setting up proper mechanisms to regulate globalisation. And for this, it should begin by easing up on its own self-serving trade regimes. Mr Bush appears in quite a hurry to make his mark as a visionary leader. He terms including the poor in the circle of development a moral challenge. Well, Genoa is a good point to begin that process for the US. Given the unquestioning acceptance of the US's leadership of the world, the rest will fall in line.

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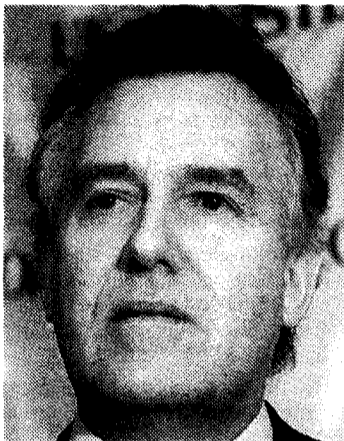
# Blair, Hain differ on Genoa protests 21/7

By Hasan Suroor

**LONDON, JULY 23.** The British Prime Minister, Mr. Tony Blair's strong condemnation of the Genoa protesters was overshadowed today by his Europe Minister, Mr. Peter Hain's equally sharp criticism of the Italian police for its handling of the protest which led to the killing of one demonstrator. His comments were in stark contrast to Mr. Blair's praise for the police and were seen to have embarrassed Downing Street.

Mr. Hain, who is a known supporter of public protests and is still remembered for his role in the anti-apartheid movement and the campaign against nuclear disarmament, accused the Italian police of "over-reaction" describing the shooting of a protester as particularly indefensible. "The way in which Genoa was handled has to be looked at and some serious questions posed and answered. The action of the police shooting and killing somebody, you can't defend that", he told Sky TV insisting that the "voice of the people outside the institutions" must be heard.

Though he also criticised the protesters for indulging in violence, it was his criticism of the police which was picked up both by the British and Italian media. Commentators said his remarks could cause "tension between Britain and Italy". *The Times* said that Mr. Hain's statement "took the Government by surprise" coinciding, as it did, with Mr. Blair's unparading condemnation of the



Peter Hain

rioters and unqualified praise for the Italian authorities' handling.

The Prime Minister had earlier said that to criticise the police for ensuring the safety of the summit was to "turn the world upside down". He was visibly irritated at suggestions that such high-profile summits could perhaps be avoided in view of the threat of violence that has dogged them in recent times. He said this would be to "stand the whole principle of democracy on its head". He was also critical of what he believed was disproportionate media coverage of the rioting, saying, "the world has gone mad" in giving more importance to the protests than the deliberations at the summit.

Mr. Hain's remarks have been contrasted with his reaction to the comparatively less violent protests at the Gothenburg summit a few weeks ago. That was his

first outing after taking over as Europe Minister and he echoed the Prime Minister's unequivocal condemnation of the violence while upholding the right of the people to protest. He had been embarrassed by media comment suggesting that the trappings of power had "softened" him.

Meanwhile, commentators called for a review of the need for "extravagant" gatherings of world leaders. *The Times*, while strongly condemning the "hooliganism" in Genoa, said the G-8 leaders needed to "do more to show the political relevance of these meetings and less to underline the banqueting and bonhomie, the ceremonial and the opulence." "The spectacle of annual lavish gatherings by thousands of officials and swarms of journalists is unnecessary, unseemly and of relatively recent origin", it said in an editorial.

*The Guardian* said summits had lost their relevance in an age of better communication and said while protesters must not be allowed to prevent world leaders from talking to each other "but if they can put an end to a summit industry which has become wasteful, vacuous and dangerous, then they will have done some good."

It joined issue with Mr. Blair saying that the "travelling circus" condemned by the Prime Minister was not made up of anarchists but "officials, journalists and hangers-on who seem to decamp from one luxury confab to another."

# Surprise deal doesn't close US-Russia divide

XV-11  
247

Genoa, July 23

**DESPITE** A surprise agreement for new arms control talks, US President George W Bush and Russian President Vladimir Putin still must bridge their deep divide over US missile defence plans and decades of mistrust over nuclear negotiations.

In a welcome step toward mending the troubled US-Russian relationship, the leaders announced on Sunday after their second-ever meeting that they would link talks on shrinking nuclear stockpiles to ones on defensive weapons.

Questions lingered, however, about how they would take shape, and differences between the two sides remained acute.

Putin told top Cabinet officials on Monday that he and Bush made significant progress towards new arms talks. But he also assured them that they both "confirmed our adherence" to a long-standing arms control

treaty, according to the Kremlin press service.

Separately, both Bush and Putin have urged further cuts in their nations' huge nuclear arsenals. Sunday was the first time they agreed to hold tandem talks on offensive and defensive weapons.

"The two go hand-in-hand in order to set up a new strategic framework for peace," an upbeat Bush said at their joint press conference in Genoa. "I believe that we will come up with an accord."

The announcement followed a 90-minute meeting that Bush called "open and optimistic." Putin was more reserved.

"We're not ready at this time to talk about threshold limits or the numbers themselves. But a joint striving exists," the Russian president said. "The main thing for us is to maintain a system of balance."

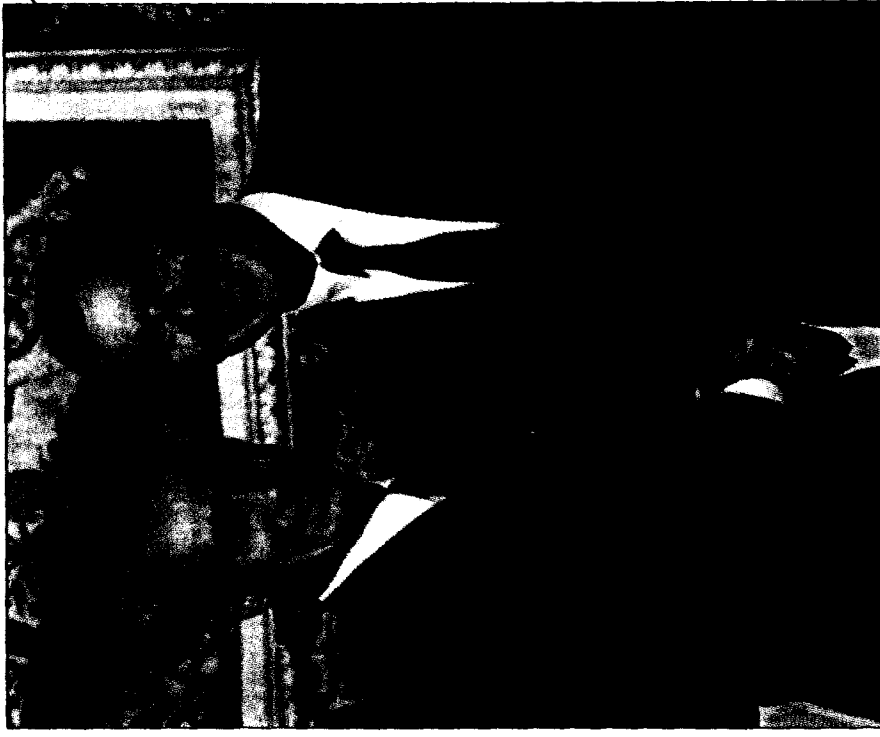
A key question is whether the announcement means Putin is softening his opposition to

Bush's missile shield dreams. Another is how he will respond if an agreement is not reached before the United States begins anti-missile tests barred under the 1972 Anti-Ballistic Missile Treaty — tests the Pentagon says are just months away.

Despite his repeated calls for cutting nuclear stockpiles that Russian cannot afford, Putin has warned that Russia would tear up existing arms control agreements if the United States dumps the ABM treaty. He has also suggested Moscow could respond by putting multiple warheads on existing single-warhead nuclear missiles.

On Sunday, Putin played down that threat, saying that if the upcoming talks go well, "we might not ever need to look at that option." Bush appears to be trying to win Russian acceptance of the missile defence plan without getting drawn into the Cold War-style tangle of arms negotiations.

AP



US President George Bush shakes hands with his Russian counterpart, Vladimir Putin, during a press conference after the G-8 summit in Genoa on Sunday.

AP PHOTO

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G-8 SUMMIT / DIFFERENCES ON GLOBAL WARMING REMAIN 2397

# Leaders vow to make globalisation work for all

By Batuk Gathani

**BRUSSELS, JULY 22.** The leaders of the world's richest nations concluded their meeting on Saturday night and have set their intention in a statement, highlighting their determination to make globalisation work for everyone, including the poorest countries.

The Group of Eight summit has been overshadowed by violent anti-capitalist protests, and one protester was killed by the Italian police. The G-8 leaders have resolved to meet again next year in a "remote part" of Canada and have agreed to substantially cut down on the size of their delegations. At the current summit in the Italian port city of Genoa, each leader was accompanied by "hundreds" of aides and advisers. At their next meeting in Canada each leader may not bring more than 30 to 40 delegates.

The leaders said they would seek "enhanced cooperation and solidarity with developing countries, based on a mutual responsibility for combating poverty and promoting sustainable development". The G-8 leaders also pledged to look for ways to broaden debt relief for the world's poorest countries. The statement also endorsed the launch of an "ambitious" new round of global trade talks, but conceded that the leaders have not been able to narrow the differences between the U.S. and other industrialised nations over global warming. The U.S. continues to remain the "odd man out" at the current dialogue on global warming in Italy and Germany, although according to some officials, a consensus of sorts is seen emerging on the strategy of containing global warming.

The U.S. President, Mr. George



The leaders of the G-8 nations stand on a podium as they pose for a picture at the end of the summit in central Genoa on Sunday. (Left to right) the Prime Ministers of Japan and Britain, Mr. Junichiro Koizumi and Mr. Tony Blair; the Presidents of U.S., France, Italy and Russia, Mr. George W. Bush, Mr. Jacques Chirac, Mr. Silvio Berlusconi and Mr. Vladimir Putin; the Canadian Prime Minister, Mr. Jean Chretien, and the German Chancellor, Mr. Gerhard Schroeder. With them are representatives from Europe, the Belgium Prime Minister, Mr. Guy Verhofstadt, and the President of the European Commission, Mr. Romano Prodi. — Reuters

W. Bush, has attracted much criticism and controversy. He surprised and even angered other nations, particularly those in Europe, when he announced that the U.S. would not implement the Kyoto agreement on reducing greenhouse gas emission. The fury of the European protesters and demonstrator at Genoa and Bonn was more directed at Mr. Bush than any other world leader.

The G-8 final statement did not include any reference to Mr. Bush's controversial proposal to build a National Defence System.

The summit has also endeavoured to produce broad agreement on major economic and foreign policy issues such as the growing divide between Arabs and Jews in West Asia and escalat-

ing ethnic violence, Korean peninsula and security and political crises in Macedonia. The statement emphasised world leaders' commitment to a new global fund to fight AIDS, TB, malaria and other infectious diseases in developing countries.

The leaders also endorsed moves by Western drug manufacturers to make medicines more affordable through flexibility and patent protection.

The Group of Eight leaders — the U.S., Japan, Germany, France, Italy, Britain, Canada and Russia — also expressed frustration over their failure to focus attention on the key issues they came to discuss. The British Prime Minister, Mr. Tony Blair, said the summit made progress, despite violence

and argued that protesters may have seized the media headlines but the summit had done much to help the world's poor. "Africa, not anarchy was our focus in Genoa. We took decisions on Third World aid, climate change, world trade and global financial system," Mr. Blair said. "Legitimate, peaceful protest is a vital part of our democracy."

He said 23 out of 41 countries have qualified for debt write-off worth more than \$ 50,000 millions. The host of the summit, Mr Silvio Berlusconi, Prime Minister of Italy, said there was room for improvement in the mechanism of aid deployment. He promised that leaders of the rich countries would ensure that the benefits of the aid filtered down to poorer

people and to ensure that corrupt leaders and officials did not become beneficiaries of the aid. Mr Blair said those protesting against globalisation were entitled to their views, but in truth global trade and opening up the world economy were "not the obstacles to, but the means of, advancing the interests of the poorest countries. Protectionism is their enemy." Earlier, Mr. Bush echoed the same sentiments.

Sections of the Western media today regretted the reality that one more summit of world leaders had been disrupted by violent protests, highlighted by the death of an Italian anarchist. The scale of violence at such international gathering has been escalating for some time.

Rome, July 21 11:22 AM

ITALIAN NEWSPAPERS agonised on Saturday over whether a young protester shot dead by police in G-8 protests was a modern-day Christ or an unwitting tool of anarchist troublemakers.

There were calls for the Group of Eight summit of world leaders to be suspended and laments that the tranquil port of Genoa had been turned into a war zone on Friday's opening day of the three-day meeting.

Rome's *La Repubblica* described the protester, 23-year-old Carlo Giuliani, as lying dead on the asphalt with his arms spread like a modern-day Christ, blood seeping from his wounds. "A young man has died in the G-8 battle," the newspaper said.

"He's there like a Christ with arms lying open on the asphalt.

In a democracy, that is really the only fact that counts... It is tragic and yet so contradictory to see the big powers of the world incapable of guaranteeing a peaceful meeting for themselves," a front-page editorial said. Giuliani was shot dead by paramilitary police on Friday as about 30 demonstrators attacked a police jeep with stones and bars. More than 100 protesters, police and journalists were injured in the day-long clashes, several seriously.

Communist newspaper *Liberazione* ran a banner front-page headline reading "The G8 Assassin" under a picture of the policeman about to shoot. Communist Party leader Fausto Bertinotti called for the suspension of the Group of Eight meeting.

"There is nothing else to do but respect this tragedy, so this summit should be suspended...The

**Youth killing fuels stir**  
*Genoa, July 21*

UP TO 100,000 anti-capitalists, many enraged by the fatal police shooting of a young protester, took to the streets on Saturday to denounce world leaders attending an already besieged Group of Eight summit.

The eight leaders, joined by the heads of the United Nations and European Union, issued a hurried appeal for calm. Interrupting an evening banquet hosted by Italian President Carlo Azeglio Ciampi, they issued a statement regretting the Italian's death and urged protesters not to follow provocateurs.

**Reuters**

meeting going on in Genoa, a nightmare city reduced to a military bunker, is only a ritual that won't produce any positive results anyway," *Liberazione* said. Other newspapers, while expressing horror that for the first time in two years of the G-8 protests at such gatherings someone had died, condemned the violence of hard-core groups within the 100,000 protesters gathered in Genoa.

"There are groups from various countries who are in Genoa with the sole intention of provoking incidents of violence and disorder," *Corriere della Sera* said in a front-page editorial.

"These warriors, who appear so fanatical in their anti-globalisation beliefs, are actually more concerned with the success of their own senseless behaviour rather than the outcome for the

poor and oppressed they claim to represent."

Financial daily *Il Sole 24 Ore* described Genoa as looking more like an urban war zone — the sort of images, it said, that one never expects to see in a European democracy.

"How is it possible that these bands of hooligans were able to organise a veritable guerrilla war in which they actively looked for physical confrontation and sought to ransack and pillage?" it asked.

*Il Giornale*, owned by the brother of Italian Prime Minister Silvio Berlusconi, said the troublemakers behind violence that has swept international meetings since the 1999 World Trade Organisation summit in Seattle, at last had achieved one of their aims.

**Reuters**



# G-8 leaders dismiss protests, continue meet

Leaders focus on poverty, violence, trouble zones

BY TOM HENEGHAN

Genoa, July 21: Group of Eight leaders forged ahead with their besieged summit on Saturday, dismissing calls to cancel it after the police shot dead an Italian protester during violent anti-capitalist unrest on its opening day.

In a statement on the summit's second day, the heads of the world's leading industrial powers stressed they were freely elected and insisted their annual conclave focused on issues vital to the wider world like the economy, jobs, trade and aid.

Outside the high-security "red zone" shielding the summit, tens of thousands of demonstrators, some armed with helmets and sticks, filled the streets for another day of protest against the rich men's club they blame for world poverty. "We condemn firmly and absolutely the violence overflowing into anarchy of a small minority that we have seen at work here in Genoa and at recent international meetings," said the Presidents and Prime Ministers from the US, Russia, Japan, Germany, France, Britain, Italy and Canada.

"It is vitally important that democratically elected leaders legitimately representing millions of people can meet to discuss areas of common concern," their statement said. "Our commitment and our work goes on."

World poverty and the environment, the key issues for some protest groups, led the agenda for Saturday's G-8 talks. Leaders later discussed world trouble spots, especially growing violence and tension in West Asia and Macedonia. G-8 leaders have reacted differently to the protests. German Chancellor Gerhard Schroeder urged zero tolerance for violence while French President Jacques Chirac stressed the need to heed the message of the peaceful protesters.

G-8 foreign ministers described the mounting violence between Israelis and Palestinians as alarming and called on both sides to accept outside monitors to help implement a peace plan. (Reuters)



**POWER MEET:** British Prime Minister Tony Blair talks to US President George W. Bush and President Jacques Chirac of France before an announcement about AIDS at the G-8 summit in Genoa on Friday. The G-8 leaders have agreed to create a \$1 billion global AIDS fund. (AP)



**RESPECT:** People stop on the spot where an unidentified demonstrator was killed during clashes between protesters and the police in central Genoa on Friday. (AP)

## Policeman to be tried on charges of manslaughter

Genoa, July 21: Italian prosecutors have opened a manslaughter investigation against a policeman involved in Friday's fatal shooting of an anti-capitalist protester at the Group of Eight summit, judicial sources said on Saturday.

The death of 23-year-old Genoa resident Carlo Giuliani overshadowed the opening of the three-day summit and triggered appeals for calm by G8 leaders as fresh protests were planned.

Judicial sources said prosecutors had begun proceedings that could lead to manslaughter charges against the paramilitary officer who fired the shots that killed Giuliani. The policeman, who has not been named, was being treated in a Genoa hospital. "He is to be placed under investigation on suspicion of manslaughter, as is usual in such cases," a source said.

He said the investigation would also, however, study whether the policeman had acted in legitimate self defence.

The fatal shooting occurred in a square about two km from the summit venue. (Reuters)

*'He's there like a Christ, with arms open'*

Rome, July 21: Italian newspapers agonised on Saturday over whether a young protester shot dead by the police in G-8 protests was a modern-day Christ or an unwitting tool of anarchist troublemakers.

There were calls for the G-8 leaders to be suspended and laments that the tranquil port of Genoa had been turned into a war zone on Friday.

Rome's *La Repubblica* described the 23-year-old Carlo Giuliani, as lying dead on the asphalt with his arms spread like a modern-day Christ, blood seeping from his wounds. "A young man has died in the G-8 battle," the newspaper said. "He's there like a Christ with arms lying open on the asphalt. In a democracy, that is really the only fact that counts... It is tragic and yet so contradictory to see the big powers incapable of guaranteeing a peaceful meeting for themselves," a front-page editorial said. (Reuters)



**IN THE LINE OF FIRE:** Italian photographer Eligio Paoni, injured on the head by the riot police in central Genoa on Saturday, is helped to move to a safer spot. (Reuters)



# Leaders turn attention to poverty, ecology

**GENOA (ITALY), JULY 21.** Leaders of the world's major industrial countries, struggling to regain control of a summit marred by a protester's death, said on Saturday that they were providing real help to the billion people in the world living in extreme poverty.

But the Group of Eight summit's emphasis on global poverty did not satisfy anti-globalisation protesters. They called on the leaders to halt the meetings because of the death of Mr. Carlo Giuliani, a 23-year-old Italian protester, killed by police the day before.

Police fired tear gas at demonstrators again on Saturday as tens of thousands of marchers flooded the streets near the international summit here. Many in the crowd shouted "Assassins, assassins!". Leaders at the summit, while expressing sorrow over the death, said, "our work goes on". The leaders of the United States, Japan, Germany, Britain, France, Canada, Italy and Russia faced a full agenda on their second day of talks on Saturday, including discussion of such hotspots as West Asia and Macedonia, and global warming.

In a joint statement issued on Friday, the leaders of the summit countries condemned "the violence overflowing into anarchy of a small minority" and pledged to carry forward with their discussions.

Most of the tens of thousands of marchers — representing trade unions, environmental organisations,

tions, farmers, anarchist groups and the unemployed — were demonstrating peacefully to express anger and concern over the ill-effects of globalisation and the widening gap between rich and poor.

Meanwhile, the protests were spreading, with demonstrations in Greece, Germany, Switzerland and Canada.

There were signs that the G-8 countries, which had already refashioned their annual gatherings in an effort to show more concern about poor countries, were searching for ways to do more.

The Italian Foreign Minister, Mr. Renato Ruggiero, said the next G-8, to be held in Canada in 2002, could take another form. He said on issues, the global health fund created this year could be followed next year by a fund to support education in poor nations.

The Canadian Prime Minister, Mr. Jean Chretien, has said he was studying the possibility of moving the discussions to a smaller, more out-of-the-way place.

The U.S. President, Mr. George W. Bush, in his weekly radio address, highlighted the summit's efforts to help poor nations, including the leaders' pledge to get personally involved in a launching a new round of global trade talks, something that demonstrators helped to prevent at a riot-marred meeting in Seattle in 1999. "Our discussions here in Europe centre on some great goals," Mr. Bush said. "We want

to spread the benefits of free trade as far and as wide as possible."

The British Prime Minister, Mr. Tony Blair, said the summit's biggest achievement — creation of a new global health fund to combat AIDS — wouldn't have happened without the hands-on involvement of the leaders.

As photographers snapped pictures, the French President, Mr.

Jacques Chirac, held up his hand for a high-five greeting to Mr. Bush, who instead extended his arm for a more statesmanlike low handshake.

Mr. Chirac and Mr. Bush continued to be at odds over the Kyoto treaty on Saturday, and the French feared they were becoming increasingly isolated.

French sources said Mr. Chirac

pleaded once again for language restricting greenhouse gas emissions. However, the British, the Germans and Italians proposed that the final statement stress just the broad objectives of Kyoto.

The summit ends on Sunday with a final statement. Talks on Saturday centred around trying to find language that all the eight could accept. — AP



Riot police storm past the body of Carlo Giuliani (inset file photo) who was shot and killed by Carabinieri during rioting in central Genoa on Friday. — Reuters

## Rich versus poor

PROTESTS AGAINST the rich countries, as seen at the ongoing Group of Eight meeting in Genoa, have become a regular feature. Massive crowds have been gathering at venues like Seattle, Prague, Gothenburg and Genoa to voice their indignation against the new world order symbolised by institutions like the WTO, IMF and World Bank. The angry young people are not protesting against any one country but against the global bodies which they feel are ruining the world. Their demands range from the preservation of biological and cultural diversity to creation of more jobs and social equality. Symbols of capitalism like the multinational companies Monsanto and McDonalds have been their favourite targets.

These are desperate cries against the insular policies of the rich nations as against the mounting problems of the poor countries in the area of debt repayment, economic exploitation, AIDS prevention and other life-threatening diseases. It is the entrenched inequalities between the rich and the poor which are being highlighted by the demonstrators. In a way, it is a good thing, as it reflects the urge within the West that the world can be designed with more sensitivity

and imagination. Or else, there would be sustained social unrest, destabilisation of governments and a huge flow of illegal immigrants across the borders. Among the protesters who include Left-wing activists, protectionists, farmers and workers, the environmentalists are perhaps the most influential. They are against the spread of that specific form of industrialisation which, they say, is destroying local cultures and environments.

These protests are not dissimilar to the late 18th and early 19th century food riots that were legitimised by the assumptions of an older, more moral economy. As a result, the rich were forced to incorporate debt relief in their agenda while providing more aid for poverty reduction. The rich have shown a distinct lack of interest in the poor countries. In recent years, their commitment of giving 0.7 per cent of their GDP in aid under the Official Development Assistance has not been met. The rich countries have also been restricting trade flows from developing countries. Indeed, the G-8's declaration at the Genoa summit to start a \$ 1 billion health fund would not have been possible but for the pressure from the anti-globalisation demonstrators.

# The human development 'race'

By C. Rammanohar Reddy

IT HAS been a week when India and Pakistan did not quite manage to take even the most hesitant of steps towards peace and friendship. This means that for some time to come each country will continue to spend enormous resources on arming itself in the mistaken notion that this is one way it can weaken the other, without being affected in the same manner. The cost, of course, will be borne by the people of the region who will continue to suffer the consequences of this armed stand-off, which all too frequently takes the form of a proxy war. The energy and expenditure that is dissipated in what goes by the name of "defence" could by any standards be better spent on development. Too much on defence is not the only reason why the two countries remain so poor — though defence is likely to be more of a burden on Pakistan than on India — but it is an important reason for their present state of limited development.

It is a coincidence that on the eve of the Agra summit the United Nations Development Programme presented its annual edition of the Human Development Report (HDR), with its league of comparisons between the countries of the world in a number of socio-economic measures. The most important of these is the Human Development Index (HDI), the broad measure of development which covers health, educational as well as the income status of each country. The concept of human development which was pioneered by the UNDP in 1990 attempts to go beyond per capita income in measuring the well-being of people. This it has done so by giving the health and educational status of the citizens of each country equal importance in the measure of well-being.

One comparison that is always the focus of annual attention is where India and Pakistan stand in the ranking of HDI. Much has been made of the fact that in the 2001 edition of the HDR, India has jumped 12 places in the 1999 rankings and that it has outpaced Pakistan in human development. This is not something that by itself says much about India's

"achievements" and it is in any case a wrong inference to draw from the HDR's statistics. The first point to note is that India's position of 115 in 162 countries does not indicate that we have much to be proud about in 2001 when it comes to progress in life expectancy, adult literacy, school enrolment and per capita GDP.

## *The HDI ratings of countries have become ends in themselves, while the larger concept of human development has been pushed to the background.*

(the four indicators that constitute the HDI). India's "progress" in the 1990s has taken it to the category of countries with "medium human development", while Pakistan, positioned at 127, leads the group of countries which have achieved "low human development". But the "high", "medium" and "low" categories are all arbitrary classifications of the HDR which are not indicative of any reality. And, in spite of everything else, we cannot overlook the fact that, according to the latest HDI estimates, Ecuador, Moldova and Equatorial Guinea are some of the countries which have done more than India in human development. The bald truth is that both India and Pakistan come up poorly in whichever the component of the HDI — per capita income, life expectancy or literacy.

Second, the comparison between India and Pakistan is just as much misplaced. Yes, India ranks above Pakistan in the HDI tables. And, yes, according to the annual estimates of human development which have been made since 1990, India "overtook" Pakistan during the second half of the 1990s presumably because of the faster growth of the Indian economy. But the problem with making too much of all this is that in some important respects it reflects a self-serving interpretation of the UNDP statistics. The HDR is constantly changing its methodology for estimation of the HDI, so as the HDR itself says (though in the fine print), comparisons between what are published this

year with what was last year and before could be misleading. One of the most important changes has been in the use of GDP per capita, estimated on the basis of purchasing power parity (PPP) exchange rates, as against GDP per capita estimates, based on market exchange rates. (PPP exchange rates take into account the

prices of all goods and services produced in each country, while market exchange rates are based only on the prices of what are exported/imported. Therefore, the PPP statistics of GDP and per capita income are considered to be more accurate estimates.)

India's GDP per capita (PPP) in 1999 was \$2,248, higher than the \$1,834 estimate for Pakistan. But the picture is different when GDP per capita is measured by market exchange rates: India \$440 and Pakistan \$470 in 1999. Since GDP per capita is an important component of the HDI, which measure one uses could well influence the comparative position of India and Pakistan. Since India's record in life expectancy, literacy and school enrolment is better than that of Pakistan, even using market exchange rate GDP per capita may not reverse the positions. But the gap will not be as large as it is now. And, interestingly, the HDI estimates made with PPP GDP data show India above Pakistan in the HDI league for 1990, though the statistics published in the HDR of 1991 said the opposite.

All this fine detail about the components and measurement of the HDI would not be necessary in a newspaper were it not for the fact that the media has come to focus on this invention of a India-Pakistan "race". More generally, the annual comparison of the HDIs of India and Pakistan has unfortunately become symptomatic of the contents, presenta-

tion and media coverage of the HDR itself. The HDI ratings of countries have become ends in themselves, while the larger (and arguably innovative) concept of human development has been pushed to the background. Countries may take pride in where they stand in this list, as Canada did when it ranked first in the world and well above its big brother to the South. But governments do not formulate and implement policies in order to out-perform others in the eyes of the UNDP. If they focus on development, it needs no saying that it is for other rea-

sons. Though this year the HDR has gone out on a limb with an implied advocacy of the use of biotechnology in the developing countries, this report remains a "Book of Lists" that, sadly, looks like fast becoming a book of sports records. The obsession with inter-country comparisons has gone so far that the report now prepares as many as six different measures of human development. The latest to join these ranks is a "Technology Achievement Index" (TAI), that is a notchpoint of measures of technology creation, diffusion of old and new innovations and human skills. This one index puts together for each country the number of patents granted per capita, internet hosts per capita, electricity consumption, average years of schooling and more such heterogeneous data to come up with an index that is supposed to measure both a country's technological "achievements" and its "utilisation". The resulting concoction of very different indicators naturally yields a very peculiar ranking of 72 countries. India ranks a lowly 63, according to this latest index from the UNDP, above the rank of 65 that is accorded to Pakistan. A saving grace is that yet another arbitrary categorisation in the HDR places India among the group of "dynamic adapters" of technology, while Pakistan is relegated to the group of "marginalised" countries. But if one wants to read too much into this award of "dynamic adapters", one should not, because, according to the TAI ranking, India is positioned below Bolivia, Syria and Zimbabwe.

HD-1A **G-8 SUMMIT / PROTESTERS KEEP POLICE ON TENTERHOOKS** 2/7

# Leaders discuss economic slowdown

**GENOA (ITALY), JULY 20.** Leaders of the world's leading industrial countries grappled with the global economic slowdown at their annual summit on Friday while protesters rampaged through the streets, tearing at a security fence before police forced them back with water cannons.

The world leaders went ahead with their regular summit schedule, even as thousands of demonstrators massed outside the 9-km security perimeter.

The leaders focused on ways to keep a slowdown in the U.S. from pushing the global economy into a recession. They also discussed ways to help the world's poorest countries, and planned to formally launch a \$1 billion global health fund to combat AIDS and other infectious diseases.

At word that the protesters had managed to rip open part of the security fence near Palazzo Ducale, the main summit venue, riot police mobilised — helmets and shields in place — and positioned a bus to block alley access to the palace.

After tearing at the chain-link fence, demonstrators used their bodies to try to force open a metal barricade next to it. Police forced



**Anti-globalisation demonstrators are pushed back by security forces during protests against the Group of Eight summit in Genoa, Italy, on Friday. — AFP**

them back with blasts of water.

The Italian government had vowed to crack down on violence by protesters opposed to the annual Group of Eight summit bringing together the leaders of the United States, Japan, Germany, France, Britain, Canada, Italy and Russia. The discussions on Friday involved the seven leading

industrialised nations, with the Russian President, Mr. Vladimir Putin, arriving later.

The leaders smiled for photographers as they were greeted upon their arrival by the Italian Premier, Mr. Silvio Berlusconi, right before the start of their discussions over lunch.

The demonstrations, which had

been peaceful on Thursday, turned violent even before the summit began. Protesters tore cobblestones from the street and hurled them at police lines, prompting the police to use tear gas, water cannon and batons to push the crowd back. This year's meetings were being held under the tightest security of any of the 27 summits with a force of almost 20,000 police and military stationed throughout the city.

Before Friday's violence broke out, the U.S. President, Mr. George W. Bush, said that though the protesters claimed to represent the poor, they were embracing policies that "lock poor people into poverty and that is unacceptable to the United States". Mr. Bush insisted that the United States was pursuing the proper policies to jump-start the U.S. economy and provide the power to lift global growth to higher levels.

He said the U.S. moves would translate into higher world growth as long as other countries did their part.

"It really begins with each of our own countries making sure our economic houses are in order," Mr. Bush declared. — AP

## SWADESHI, VIDESHI STYLE

Seattle, Gothenburg and now Genoa

THE ideological vacuum left behind by global communism is being filled by a strange assortment of dissenting currents, most of which have been bred within the confines of the advanced capitalist world, or high-income industrialised countries, as they are called nowadays, the word capitalism having gone into disrepute. This began in Seattle in November 1999 where 40,000 people violently demonstrated against the WTO leading to the cancellation of its inauguration. Newspaper reports described these people as anti-Vietnam war activists, hippies, Greens, organised labour, anarchists and anti-immigrant bigots. Excepting for the last named, all the rest come, more or less from the same ideological stable, people who formed part of the highly romanticised revolutionary upsurge of the sixties and the seventies. The current round of protests is based on the very simple idea that small people are always under threat from big powers, whether represented by global business or by governments. The last 200 years have exhausted all forms of opposition to capitalistic industrialisation, including the biggest one, Marxism. As a reaction to these multiple failures, it is the very idea of material and technological progress that is being opposed. This is why the environment has become a salient political issue with many former Leftists, such as Daniel Cohn-Bendit, leader of May 68 and now MP in Germany turning green. Similar protests occurred at a ministerial group meeting of the World Bank and the IMF in April 2000 and at the European Union summit in the Swedish town of Gothenburg in June this year.

What is clear is that the industrial and technological culture of the West is creating a certain amount of economic and social distress, firstly because unemployment in a work-oriented culture has a drastic psychological impact, secondly, because forms of social existence — the institution of marriage, to take the simplest example — often based on a sense of tradition and history are under pressure from a global culture in which American influence is preponderant. The levels of alienation are, therefore, very high and the organised forms of political rebellion that are on offer are not linked to each other in a comprehensive vision of the future. The problem is serious enough for the Italian government to host the next G-8 summit not in the Ducal Palace in Genoa, but in a ship moored in its harbour. The police were overwhelmed, both in Seattle and in Gothenburg. Anarchists are planning to use medieval catapults and battering rams in a seaborne assault on the summit venue, the message being that material and technological progress, with its exclusive emphasis on the economy, is destroying national cultures, their sense of history and, therefore, ultimately, individual identities.

# Police shoots Genoa G-8 protester dead

Genoa, July 20: A protester was shot in the head on Friday by an Italian paramilitary trooper and run over by a security van while a big power summit was under way in Genoa, a witness said. He later died in the hospital.

A Reuters photographer saw a group of demonstrators attack a Carabinieri van with stones. A protester was hit in the head by gunfire from the van after throwing a fire extinguisher at the vehicle.

The demonstrator fell to the ground and then was run over by a Carabinieri jeep, the photographer said. The incident occurred amid rioting in the Mediterranean port city on the first day of a three-day Group of Eight summit.

However, black smoke and tear gas billowed over the Italian port of Genoa on Friday as anti-globalisation activists protested against a rich countries' summit starting up behind barriers of reinforced fencing and riot police.

Thousands of protesters with banners reading "Zero Debt" and "People Not Profits" lobbed petrol bombs, broke shop windows and torched cars and garbage dumpsters outside a "red zone" cordon built around central Genoa to defend Group of Seven leaders. The police phalanxes fired tear gas and water cannon to disperse the crowds but hooded protesters defied them and tried to tear down the fence. Three policemen and one journalist were hurt in clashes and five protesters were detained.

About 200 hard-core protesters threw a petrol bomb into a local prison after breaking its windows. Flames poured out of a ground-floor window, but demonstrators left the area after prison guards appeared on the wall above the street. Some protests were as close as 300 metres from the Renaissance Ducal Palace where a beam-riding Italian Prime Minister Silvio Berlusconi earlier greeted arriving leaders for a sumptuous lunch before the summit opened at 3 pm. (Reuters)

## Recession the common issue at G-8

BY MARTIN CRUTSINGER

Genoa (Italy), July 20: With police firing tear gas at demonstrators protesting global capitalism, leaders of the seven wealthiest countries began their annual economic summit on Friday, stressing their desire to keep the United States' economic slowdown from pushing the rest of the world into recession. "It really begins with each of our own countries making sure our economic houses are in order, President George W. Bush declared.

As Mr Bush and other leaders arrived at the Palazzo Ducale for their first talks, the police fired tear gas to block thousands of demonstrators streaming toward a six-mile-long security fence erected around the historic harbour district. The tear gas was used after authorities said the demonstrators ripped cobblestones from the street and hurled them at the police lines. Protesters were also seen shattering windows and attacking a bank automatic teller machine. Police moved in with batons to subdue them.

Before the violence broke out, Mr Bush took a hard line on the protesters on Friday, saying, "I reject the isolationism and protectionism that dominates those who would try to disrupt the meetings in Genoa." He said that although the protesters claimed to represent the poor, they were embracing policies that "lock poor people into poverty and that is unacceptable to the United States."

This year's meetings were being held under the tightest security of any of the 27 summits with a force of almost 20,000 police. (AP)



**FIRE:** A car burns during violent clashes between the police and anti-globalisation protesters at Genoa, where the G-8 summit began on Friday. (Reuters)



**ANGER:** Anti-globalisation protesters throw stones at the police at Genoa, where the G-8 summit began on Friday. (Reuters)



# US missile defence to figure in G-8 summit

Rome, July 18

CONTROVERSIAL US plans for the missile defense shield and its effects on the 1972 Anti-Ballistic Missile Treaty (ABM) are bound to figure in the two-day talk starting from Friday.

The meeting comes just days after the United States successfully tested a missile defense weapon over the Pacific Ocean, while Russia revived a strategic friendship accord with Communist neighbour China.

Russian President Vladimir Putin and China's President Jiang Zemin on Monday reaffirmed their backing for the ABM treaty as a main pillar of strategic stability, even though Putin has agreed to consult with Washington on the missile defense scheme.

Big power foreign ministers on Wednesday met to tackle a host of thorny issues ranging from US missile defense to sanctions on Iraq ahead of a weekend summit of Group of Eight (G-8) leaders.

Secretary of State Colin Powell and Russian Foreign Minister Igor Ivanov held a working breakfast together at the Excelsior Hotel near the US embassy on Rome's Via Veneto and were expected to issue a joint statement after their talks.

Ministers from the G-8 countries—United States, Russia,

Japan, Britain, Germany, France, Italy and Canada—planned a series of bilateral encounters before gathering at 3 pm for their G-8 meeting proper. They are expected to move up to Genoa for the leaders' summit on Friday.

The ministers from the Contact Group on former Yugoslavia — the G8 excluding Japan and Canada — were also scheduled to meet at 11:30 a.m. to discuss the next steps in supporting the peace process in Macedonia.

US officials said on Tuesday that Powell and Ivanov were likely to touch on US plans to build a missile defense shield against attacks from so-called rogue states such as Iraq or North Korea. Powell was also likely to raise U.S.-British proposals to revamp U.N. sanctions against Baghdad, imposed after Iraq invaded Kuwait in 1990, they said. The proposals aim to ease restrictions on civilian goods imports but tighten them on military-related items. Russia has said it would veto the measure if it were put to the vote.

European Union and US envoys are also trying to persuade Macedonia's majority Slav and minority Albanian communities to agree on a package of reforms to halt five months of guerrilla warfare.

The latest Western bid to break a deadlock in talks in the Macedonian capital, Skopje, appeared to run aground on Tuesday after the country's biggest parties rejected it out of hand.

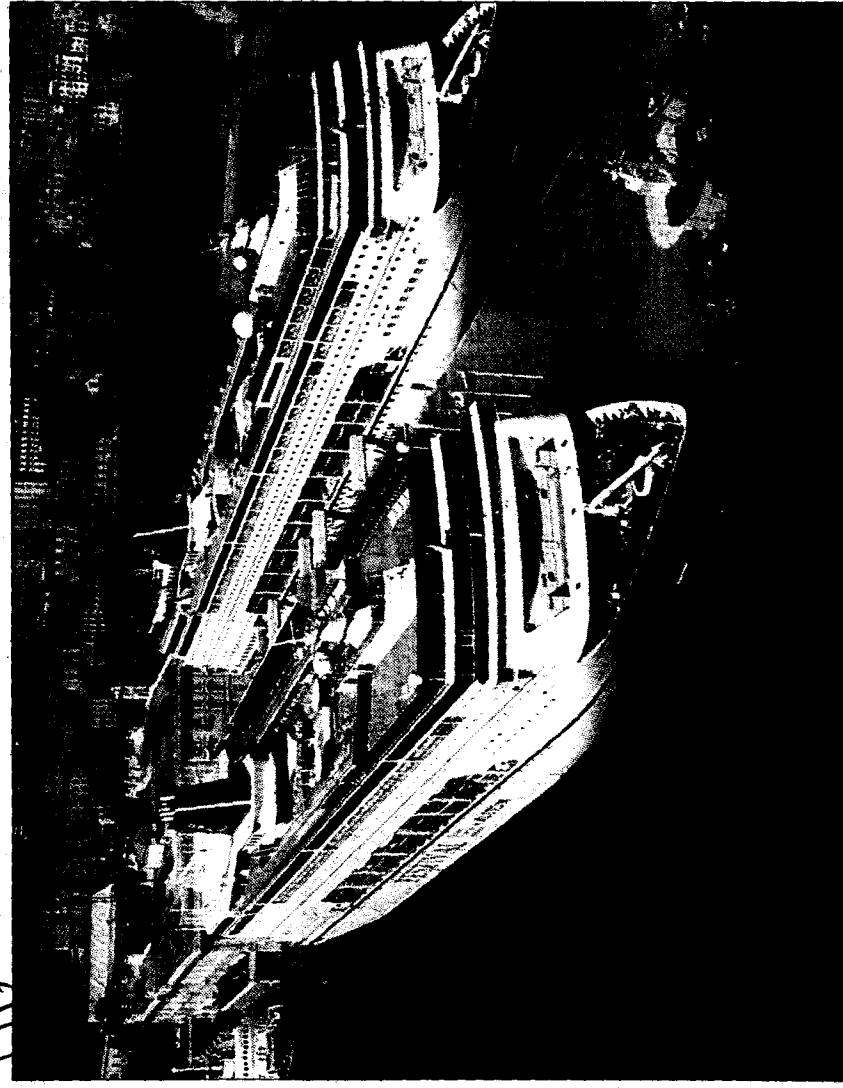
Italian Foreign Minister Renato Ruggiero, the host of the Rome meeting, said the G8 talks would focus on conflict prevention and arms control, as well as "the main regional crises...preventing the establishment of peace and stability."

The ministers will work on a communique to be issued at the G-8 summit in the northwest Italian port of Genoa, where thousands of anti-globalization protesters were expected to gather as leaders arrive on Friday.

Japan is studying with Washington a theater missile defense system aimed at shielding U.S. troops in Asia and its allies, but has stopped short of endorsing a national defense shield to protect the United States.

Ivanov was scheduled to meet Japanese Foreign Minister Makiko Tanaka at 1pm. Britain has broadly backed the missile plan, but other Europeans are concerned it would weaken arms control agreements. France has warned it could lead to the proliferation of ballistic weapons.

Reuters



An aerial view of the port of Genoa with the two cruise ships *Mistral* and *European Vision* (R). Italy has hired the luxury liner 'European Vision' to accommodate the leaders of the G8 summit, apart from US President George W Bush, so that they can be kept under tight guard far away from possible riots on the streets.

## Security beefed up for G-8

### summit

Genoa, July 18

SECURITY HAS been stepped up ahead of the G-8 summit, with Italy reintroducing border controls normally suspended across much of the European Union and closing down Genoa's railway stations ahead of the summit.

An umbrella group, representing thousands of anti-globalisation protesters expected to descend on the G-8 summit here on Friday, has issued a guide recommending would-be-demonstrators arm themselves with hardhats and riot-shields. The "Short Manual for Anti-G-8 Demonstrators," also suggests protesters don cork-lined elbow pads and lifejackets to protect themselves from truncheon blows ahead of an expected confrontation between protesters and Italian security forces.

Thousands are expected to converge on the summit venue in Genoa, northwest Italy, when heads of state from the world's seven leading industrial powers and Russia gather in the city for three days of talks starting on Friday. The guide advises protesters always carry some form of identification to present to security forces on demand.

Reuters



# Globalisation & G-8 Summit

6/16 19/17

The main problem with globalisation is that much of the developing world is not part of the process, says **Jeffrey D Sachs**



**T**HE rich-country G-8 summit will convene in Genoa, Italy this week, anti-globalisation protestors and riot police alongside. Both protestors and the G-8 leaders will accuse each other of not understanding the realities of globalisation. The G-8 leaders will say that globalisation is not only inevitable but good for development. Protestors will claim that the gap between the rich and the poor is widening. Both groups are speaking half-truths.

The G-8 leaders stress that free trade is vital for a poor country to achieve sustained growth, for a poor country cut off from world markets won't develop. Yet there is a larger reality. Free trade, although a necessary condition for growth, is far from sufficient. Globalisation helps part of the developing world to grow, but leaves hundreds of millions, even billions, behind, including many of the poorest people in the world. By pretending that globalisation helps everybody, the G-8 countries are painting an unrealistic picture, one inviting backlash.

The most powerful way that poor countries grow is by becoming part of the global production systems of multinational companies. These firms create jobs in low-wage countries either through direct investment in those countries, or by finding suppliers in those countries that make products according to their specifications and are then exported to world markets, often back to the multinational firm's home country.

This process of global production helps rich countries in terms of lower-cost products and poor countries by creating jobs, experience with advanced technologies, and investment. Eventually a poor country can "graduate" from being a mere supplier of components to becoming an innovator. Korea, Taiwan, Israel, and Ireland began their rapid industrialisation one generation ago by producing standard products for multinational firms. Now they are high-tech economies in their own right.

The main problem with globalisation is that much of the developing world is not part of the process. In the Americas, foreign direct investment is heavily concentrated in Mexico, parts of Central America, and the Caribbean — i.e., countries near the United States. South American countries further away from the US receive much less of this kind of investment. As a result, Mexico has been growing rapidly in recent years -- benefiting from a rapid rise of incomes, jobs, and exports to the US -- while South America has grown more slowly or even declined.

Similar situations exist in Europe and East Asia. European multinational firms invest heavily in low-

EU, with guaranteed access to Western European markets.

So, there are huge winners in the developing world from globalisation but many countries are not beneficiaries. In fact, many countries are experiencing outright declines in living standards. One problem is that in a world of high mobility of people and capital, skilled workers are moving out of remote regions to the more favoured areas of the world. Thus, even though Africa has a profound crisis of disease, thousands of African doctors migrate to the US, Europe, and the Middle East in search of decent living standards. Here, globalisation may add to Africa's crisis. For poor and remote parts of the



world -- Sub-Saharan Africa, the Andean countries of Latin America, landlocked Central Asia, and parts of Southeast Asia -- economic crisis is intensifying. Some regions are succumbing to disease and economic collapse. A sensible dialogue between supporters and opponents of globalisation must begin with a recognition that, although globalisation is doing a huge amount of good in many poor

countries, many are left behind in squalor, which may be intensifying in part because of globalisation.

When they meet, the G-8 should face up to the harsh realities of Africa, the Andean region, and other parts of the world. They should pledge debt cancellation for the most desperate of these countries, and billions of dollars to fight disease, especially AIDS, malaria, tuberculosis, and other killers. They should create new mechanisms to help the poorest of the poor share the benefits of advancing technologies.

If the G-8 show the world that they understand the realities of globalisation, good and bad, and that they stand ready to assist those that are falling further behind, they would begin to close the widening and dangerous divide that separates supporters and opponents of globalisation. In doing so, they would bring the world closer to real solutions.

*(The author is Galen L. Stone Professor of Economics, and Director of the Center for International Development, Harvard University.)*

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# Jails being emptied to hold protesters

**GENOA (ITALY), JULY 17.** Genoa police worked at full speed on Tuesday setting up iron gratings to block entrances to the restricted access area for this weekend's G-8 summit, a day after a letter bomb exploded, heightening security concerns.

With the airport, harbour, train stations and highway already set to be shut down, the chain-link fence was just the latest measure being taken to protect the world leaders gathering for the summit opening on Friday.

In the meantime, jails were being emptied to make room for possible arrests of unruly anti-globalisation protesters.

Some of the four-meter (13-foot) high iron gratings were already in place on Tuesday. Others were being set up to block some of the estimated 200 alleys leading to Genoa's old harbour and city centre, the site of the main summit venues, including Palazzo Ducale, where the actual meetings will be held.

The security gates are similar to those that were used at April's Summit of the Americas in Quebec.

Those gates, however, couldn't keep back violent protesters, who tore down a section of the fence, prompting riots with police that left scores injured and hundreds arrested.

The doors of Genoa's chain-link fence, embedded in concrete, were still open on Tuesday but were scheduled to be closed on Wednesday. Once closed, they will only be opened from inside the so-called 'red zone' which is limited to delegates, journalists and residents who show a permit.

Scores of policemen were deployed along the fence on Tuesday as part of a contingent which is expected to number up to 16,000. Dozens of others were deployed throughout the city, from the Christopher Columbus airport to the old harbour.

"It looks like we're at war," lamented Attilio Cipollina, a resident in the restricted red zone.

As hundreds of anti-globalisation protesters were pouring in by train, car and bicycle, police were emptying two jails in the city.

Officials estimate up to 600 people might end up behind bars if the demonstrations turn violent as they have in previous international gatherings.

So far, 200 inmates have been moved to jails in Sicily and Sardinia, and more transfers were scheduled.

The anti-globalisation activists hope to draw about 100,000 people to protest the



**A surface-to-air missile launcher, forming part of the massive security measures put in place to protect the leaders of the G-8 nations attending the summit that begins on Friday, stands positioned at Genoa's Christopher Columbus airport on Tuesday. — Reuters**

summit of the Group of Eight, which brings together the leaders of the United States, Britain, France, Germany, Italy, Japan, Canada and Russia.

More than 1,500 protesters have already arrived in Genoa, with a massive influx of people expected on Wednesday, according to the Genoa Social Forum, an umbrella organisation which includes about 700 groups.

Italy has temporarily reintroduced border controls in an effort to prevent violent protesters from reaching the port city. The Interior Minister, Mr. Claudio Scajola, in a meeting in Brussels last week, urged Italy's European counterparts to cooperate in the effort. The German state of Bavaria on Wednesday stepped up border controls, deploying police equipped with a database of about 2,000 names of known hooligans.

Besides handling the protesters, officials in

Genoa may also have to deal with terrorist attacks.

On Tuesday, investigators were searching for clues a day after a letter bomb blew up in the hands of a Genoa policeman, seriously wounding his hands and one of his eyes.

Another explosive device was defused on Monday night on the outskirts of the city, where the anti-globalisation White Overalls protesters were camping out.

The policeman, 21-year-old Stefano Storri, was reported in good condition on Tuesday. Doctors said chances that he lose the sight in the wounded eye, as initially feared, were slim.

The Genoa Social Forum condemned the blast, saying that it was an attempt to discredit the protesters.

On Tuesday, at least three other suspicious objects were checked out, but the calls turned out to be false alarms, said RAI state TV. — AP

# Tense build up to G-8 summit

**ROME, JULY 15.** Mr. Silvio Berlusconi, Italian Prime Minister, has ordered security forces to prepare for unprecedented levels of violence at this week's G-8 summit in Genoa, authorising the purchase of 200 body bags and the setting up of a temporary morgue in a city hospital.

In the tensest build-up to an international summit for decades, the Italian government fears a violent backlash to events at last month's European Union summit in Gothenburg, where one protester was shot by police during riots. The United States has already laid plans to remove its President, Mr. George W. Bush, from his hotel to the aircraft carrier USS Enterprise in the Gulf of Genoa should serious rioting begin.

For the past month, anti-capitalist protest groups have said that disturbances at Genoa will dwarf those seen previously at Seattle, Prague and Gothenburg. More than 100,000 protesters are expected to

converge on the city, many intent on breaking through to the summit area.

Mr. Berlusconi has placed his authority on the line to ensure a peaceful summit, supervising the most elaborate security measures ever seen for a G-8 meeting.

A missile defence system has been installed at Genoa airport to deter airborne terrorist attack. The land-based rockets have a range of nine miles and were previously deployed along the Adriatic coast during the NATO conflict with Yugoslavia. Other than Mr. Bush, most G-8 leaders will be accommodated on the liner European Vision, moored in Genoa harbour, which will be guarded by military frogmen and carabinieri.

The Brigata Folgore, the Italian equivalent of the SAS, has been placed on stand-by. "We will do anything necessary to allow this summit to take place without disturbance," said a spokesman for the Italian Interior Ministry.

There are fears however, that



**The Italian Premier, Mr. Silvio Berlusconi, surrounded by bodyguards, waves to passers-by as he leaves Genoa's Palazzo Ducale, northern Italy on Saturday, where the G-8 meeting will be held from July 20 to July 22. Mr. Berlusconi went to Genoa to personally check the summit preparations. — AP**

some protesters may already have penetrated the Red Zone where the summit will take place. "If that is the case, we'll just have to get them out when the time comes," said a Genoa police official.

The summit begins on Friday, but from Wednesday the city will effectively be under siege. Italian State Railways announced last Friday that both of Genoa's main stations would close two days in advance, in an attempt to keep protesters away from the harbour area where the summit is being held.

The heavy precautions have angered protest groups. Vittorio Agnoletto, the spokesman for the Genoa Social Forum, which is co-ordinating more than 1,000 anti-summit groups and associations, said: "If closing the stations is supposed to be a challenge to us, then we can tell them right now that we are going to get there whatever happens." Across the internet, organisations have threatened violence. The German anarchist group, Autonomen, has promised disruption using "whatever means possible".

Luca Casarini, leader of the Italian anarchist group, the White Overalls, said the group

had studied police tactics for the past month. "We know their strategy and how to defeat it," he said. "We will be using some highly unconventional methods and when we storm the city's off-limit zone, we will be ready to defend ourselves. This is not going to be a small conflict. This is a revolution."

As pre-summit tension rises, Italian Ministers have fiercely criticised the decision, taken by the previous Premier, Mr. Giuliano Amato, to hold the summit in Genoa. "The choice of Genoa for an occasion such as this was an act of complete irresponsibility," said Mr. Giuliano Urbani, Minister for Culture. "People will be at risk, and so will the cultural monuments."

One anti-summit protest may already have started. Mr. Antonio Bruno, a local Communist MP, has called for a "sex strike against the Imperial domination of the G8". Sympathisers are being urged to refuse sexual activity with anyone "collaborating" with the meeting.

"Drivers, interpreters, policemen . . . the strike could hit all kinds of professions," said Mr. Bruno. — © Telegraph Group Limited, London, 2001



**Anti-globalisation activists carry banners and demonstrate in the Italian city of Ponte San Ludovico at the border with France on Saturday. The banner reads: "Another world is possible". — AP**

# Genoa gears up for mass protests during G-8 meet



**NEVER THINK GLOBAL:** Anti-globalisation activists demonstrate in the Italian city of Ponte San Ludovico on Sunday. — APT/TT

REUTERS

ROME, July 15. — When eight of the world's most powerful leaders gather in Genoa for their annual summit this week, thousands of protesters will be waiting for them.

Group of Eight leaders, with the US President, Mr George W Bush, making his G-8 debut, will for the first time face the now familiar sight of mass protests marking summits across the globe.

Anti-globalisation demonstrations took off with a vengeance at a WTO summit in Seattle in December 1999. Not even environmentalists Greenpeace could get near last year's G-8 meeting on the southern Japanese island of Okinawa.

This year will be very different.

Host nation Italy is mounting one of the biggest security operations the country has seen for years, pouring in

15,000 armed police and troops to ensure leaders from the USA, Russia, Japan, Germany, France, Italy, Britain and Canada can discuss global issues in safety on 20-22 July.

It will be impossible for the rich nations club not to react to the presence of the expected 120,000 protesters purporting to speak for the "have-nots" around the world.

Organisations representing the environment, or animal and plant preservation, or fighting debt relief, poverty, hunger, the spread of AIDS, cultural and sexual equality, have been making preparations for months to make their voice heard.

"The concerns of quite a lot of these people are serious," the UN Secretary-General, Mr Kofi Annan, who will attend the summit, told Germany's *Süddeutsche Zeitung* daily. The politicians must explain globalisation better. But as at other summits since Se-

attle — in Prague, Nice, Quebec City and Gothenburg — police are expecting a hard core of activists to light the tinderbox. Past protests have seen clashes with police, the destruction of property and injury.

**Can eight men change the world?** As witnessed at the EU summit in Gothenburg, Sweden, last month, violence can almost totally overshadow the main event, shifting the media focus and grabbing the headlines.

Will it matter? Critics argue over if annual summits of the top industrialised nations can spur any change anyway.

"They are reactive on the political level, but pro-active on the economic and financial level," said Mr Franco Pavoncello, professor of political science at John Cabot University in Rome.

"Any system where all the major currencies and economies can get together to discuss coordination is extremely important."

# G-7 optimism fails to impress investors

110-16  
11/7  
By Batuk Gathani

**BRUSSELS, JULY 10.** Although Finance Ministers from the world's seven richest economies issued a statement of confidence in the prospects for global economy and predicted an upturn in economic growth next year, investors and the business community are sceptical.

In the euro-zone, the weak euro is not helping major economies to avoid the economic slide. On the other side of the Atlantic, a strong dollar has clouded prospects of a much heralded economic rebound. The U.S. business complains that despite six interest rate cuts in recent weeks by the Federal Reserve, the unexpected rise in the value of the dollar against the world's two other major trading currencies — the Japanese yen and the euro — American products have become expensive and uncompetitive. As a result, the U.S. trade deficit is widening with the country's sales in Germany and France down by 30 per cent.

At the same time, major economies in Europe and Asia are faltering and an investment banker was on Monday quoted as saying: "Foreigners know that if the U.S. is in trouble, then their own countries will be in worse trouble, because the U.S. is the global engine for growth." Investment-wise, the message is that holding dollars is the safest option in the highly volatile markets. This is also hampering the efforts by U.S. fiscal authorities to rev up the economy. In Western Europe, the euro has depreciated by 30 per cent against the dollar but it has not boosted economic growth in the region. Major manufacturing companies are reporting weak sales, low profits forecasts and are in process of laying off workers.

Germany, the euro-zone's locomotive economy, looks specially vulnerable and current estimates are that the German economy will be lucky to muster growth of very modest 1.3 per cent. Hence, many suspect that Europe may be hovering on the brink of stagflation — a dangerous combination of rising inflation and slowing economic activity. The latest indicators are that the European inflation rate has reached 3.4 per cent from 2.9 per cent in April and this is well above 2 per cent recommended by the European Central Bank. A weak euro coupled with rising energy cost has almost neutralised the much needed stimulus which came from the recent tax cuts which have put an estimated \$ 50 billions in euro-zone consumers pockets.

The Group of Seven Finance Ministers also had a discussion about co-ordinating growth strategy and as Mr. Laurent Fabius, the French Finance Minister put it, there was universal recognition that "everyone must do his bit" to strengthen economic growth. The emerging markets are facing uncertain times as their currencies witnessed the steepest one-day fall last Friday and this week may also be turbulent.

The G-7 Ministers on Saturday agreed to study ways to raise the rate of potential global economic growth by encouraging more structural reforms such as improving labour mobility. The strategy is also to make the World Bank — and other global development banks — more focused and effective by better co-ordination of development strategies. The Finance Ministers and G-7 officials are also preparing a package of special initiatives which will be presented to heads of Government leaders at their summit meeting in Geneva, Italy, later this month.

Much attention is now focused on the launch of the euro currency notes and coins on January 1, 2002. Foreign trade accounts for just 18 per cent of the euro zone's economy and hence it is argued that European manufacturing and service companies may not be bruised by falling demand in other markets. But, much will depend on some 300 million euro-zone consumers who have been rewarded with generous tax cuts to boost domestic consumer spending. This has yet to materialise as there is lack of consumer confidence because of uncertain times on economic and employment fronts.

Hence, current perception of some Western economists is that the risk of global recession may be rising and prospects of the U.S. economy's "soft landing" may be rougher than expected.

All this has triggered a sort of eerie nervousness in financial markets. Prominent fund managers in Europe are opting for higher cash positions as many are nervous about volatile stock markets.

The current European cash levels are at their highest point since the market melt down in 1998 triggered by Asian cash crises.

The fund managers are seen sitting on cash piles as they look for long term strategic bargain stocks.

Some of European investment firm's equity funds have as much as one-fifth of their assets in cash.

Analysts feel that the economic and fiscal outlook in Asia may also be deteriorating. The International Monetary Fund was recently quoted as saying that its recent estimate of 6.6 per cent growth in Asia this year was probably too optimistic.

Five years ago, Germany faced economic standstill with first signs of the locomotive economic power faltering due to the then overvalued D.Mark and high German social security costs added fuel to the fire.

Leading investment banks were then quoted as saying that the German currency was overvalued by as much as 25 per cent against the dollar.

Five years later today, tables have turned, as the euro which replaces the German mark has depreciated by 30 per cent against the dollar.

# Dropping poverty comes with brainpower flight

FROM OUR SPECIAL CORRESPONDENT

New Delhi, July 10: India and China — home to about 38 per cent of the world's population — are among only 11 countries that are on course to halve poverty levels over the next 15 years, according to the global human development report.

The United Nations Development Programme (UNDP) report, which looks specifically at how new technologies will affect developing countries and poor people, says fast-expanding information technology and economic transformation have propelled India up the human development index (HDI) ladder to the 115th rung from the 127th spot earlier. The survey covers 162 countries.

It, however, says that inequalities between the haves and have-nots are becoming more and more glaring. Neighbour Pakistan is ranked 127 with other low development countries.

"In China, inequality has followed a U-shaped pattern, with inequality falling until the mid-1980s and rising since. The story is

better in India with inequality falling until recently and then coming to a halt."

Sri Lanka has done even better ranking 81st, seven points above China which stands at 87.

The UNDP report joins the Indian government in expressing concern over the steady "brain drain" of educated Indians. "The average total cost of providing university education to one of these professionals is about \$ 15,000-\$20,000. This means India is losing as much as \$2 billion a year in resources as a result of this emigration to the United States," says the UNDP report. The report adds that 100,000 Indian professionals a year are expected to take visas recently issued by the US.

But there's one sobering thought: for all the tall talk about India being techno-savvy, the country has been placed only 63rd among the 72 that have been ranked under the technological achievement index (TAI) with just one patent granted per million people.

The report explains that India, home to a world-class technology hub in Bangalore, ranks at the end of the TAI because Bangalore is

only a small enclave in a country where the average adult received only 5.1 years of education, adult literacy is at 44 per cent, electricity consumption is half that of China, and there are just 28 telephones for every 1,000 people.

Bangalore, however, has been patted on the back, scoring 13 out of 16 points as a hub of technological innovations.

By providing education for information technology — India's English-language technical colleges turn out 73,000 graduates a year — and investing in infrastructure, the government has ensured India's place in the new economy. These efforts will deliver long-term benefits for human development and equitable economic growth.

India also fares well on gender development with its rank improving to 105 from 108 earlier, even though female foeticide and infanticide have been spiralling all over the country.

While in many countries male and female literacy rates are the same, India is among the 43 countries where male rates are at least 15 percentage points higher.

# India ranks 115th in HRD index

HT Correspondent  
New Delhi, July 10

THE UN Human Development Report 2001 ranks India 115th among 162 countries on the human development index. Put in the medium development category, India has jumped 13 places up from its earlier ranking.

According to the report which was released today, India along with China is among 11 developing countries which are on track to slash their poverty by half by 2015, in keeping with the target set by the UN millennium summit last September.

The report, which was later submitted to Prime Minister A B Vajpayee, places some of India's

## EXIT FEE PROPOSED

INDIA LOSES a whopping \$2 billion (Rs 9,500 crore) annually in resources because of brain drain that sees Indian professionals making a bee-line for the US. To partially offset this huge loss, the report proposed a flat tax or an exit fee to be paid by the employee or the firm when the visa is granted to professionals. *HTC, New Delhi*

immediate neighbours lower down the scale, with Pakistan (127), Nepal (129), Bhutan (130) and Bangladesh (132) categorised as countries low in human devel-

opment. Sri Lanka (81) and China (87), on the other hand, are ahead of India in the medium development category.

While Sierra Leone, at 162 position, is at the bottom of the heap, Norway tops the table.

This year's report is the 12th in the series and focuses on "Making new technologies work for human development". The report which lists Bangalore as a world-class technology hub, argues that new technologies are a key to reducing world poverty.

Yesterday, action groups issued a statement charging that the report was an "unabashed pat on the back for the IT bandwagon on which a few powerful elites are galloping to greater riches."

Among the objections raised was that the report, while calling upon the farm sector to adopt new technologies, studiously ignored technological alternatives or naturo-farming techniques. It evaluated countries against a technology achievement index (TAI) worked out on the basis of modern technologies only. India ranks 63 as a "dynamic adopter" of new technologies.

In fact, there was a flutter in the release function itself when Information Technology Minister Pramod Mahajan objected to being "insulted" by a correspondent who questioned the primacy accorded to e-connectivity when people were dying of starvation in certain parts of the country.



# Globalisation has led to increased landlessness among tribals: report

By Akshaya Mukul

The Times of India News Service

NEW DELHI: The adverse impact of globalisation on tribals and their marginalisation has come in for sharp criticism from the Planning Commission's sub-group on 'Policies and Legislations relating to Protection and Development of Scheduled Tribes'. The sub-group has representatives from government and NGOs.

The report observes that "the existing rights, directions and provisions relating to STs in the Constitution, including the 5th and 6th Schedules, have not been operationalised adequately, as the present predicament of tribes avers."

In a detailed chapter on tribal dependence on land, the report categorically states that landlessness among them has increased. In 1961, 68.18 per cent of the STs were cultivators. According to the 1991 census, this came down to 54.5 per cent. The report pinpoints two causes for the dispossession of tribal lands. First, the entry of the plainsmen into the interior tribal areas, made possible by the opening of communications. Second, the increasing pace of industrialisation and urbanisation which pushes the tribals out.

"History will bear witness to the fact that little thought has been spared for the oustees at the time of induction of the steam-roller of industrialisation. Even their rehabilitation has been given little attention. To this day, the government of India has no policy on

rehabilitation of such evictees."

Attacking the new economic policy, the report says, "We are conscious that with the increasing pace of liberalisation and privatisation as per the canons of the new economic policy, and notwithstanding the historic Samatha judgment of the SC, there is likely to be accelerated acquisition and utilisation of tribal lands with less concern for human costs."

Equally critical of the tribal development plans, the report says these have become "subject to a number of ills, chief among them being lethargy, indifference, apathy and even corruption." The physical achievements have not been commensurate with the investment of Rs 40,000 crore over the past four plan periods, says the report. "In totality, the tribal sub-plan seems to have lost its spirit, getting bogged down in mechanical and ritualistic routine," it adds.

While prescribing the strengthening of Panchayati Raj institutions by making tribals a part of it, the report observes, "For too long, we have depended on the bureaucratic machinery for development... The result has been that people themselves are a witness to the god that failed."

The report says, "It needs to be borne in mind that tribal self-management has been a practice since the earlier times..." and suggests "the local communities should have the option of deciding whether to go in for the elective system or consensual traditional set-up."

**T**HE 20th century has been a century of strong contrasts. On the one hand there has been unprecedented technical and material progress, on the other, a significant portion of humanity continues to languish on the margins of this technical and material revolution. Though the situation has improved somewhat over the last 20 to 25 years, to the extent that the spectacular example set by some - albeit with considerable help from the rich and powerful countries of the world - is beginning to inspire others and effectively at that. Here are some figures to contradict anyone who still believes that material progress is either a lost cause or a gigantic fraud perpetrated on the gullible by the rich and powerful countries of the world - is beginning to inspire others and effectively at that. Here are some figures to contradict anyone who still believes that material progress is either a lost cause or a gigantic fraud perpetrated on the gullible by the rich and powerful countries of the world - is beginning to inspire others and effectively at that.

# Cause alive and kicking

Anyone who believes that material progress is either a lost cause or a gigantic fraud perpetrated on the gullible by the rich and powerful can think again, writes **SQUIMITRO DAS**. The UN Secretary-General has set up a panel to make recommendations on topics to be discussed at a Conference and Summit on Financing for Development where a framework is to be drawn up for global conduct on issues that concern humanity at large



1,200 million people, mostly concentrated in sub-Saharan Africa, live in abject poverty and another 40 per cent subsist on a bare minimum of basic necessities. — UN

with a part of its population attaining the living standards of the more developed among the developing countries, but harbouring, at the same time, an enormous population of the economically depressed whose plight is not very different from their counterparts in sub-Saharan Africa. It is to address this question of global inequality that the UN General Assembly adopted, at the millennium summit in September 2000, a Millennium Declaration that set the following International Development Goals to be achieved by 2015. Cut in half the proportion of people living in extreme poverty, suffering from hunger or without access to safe drinking water; achieve universal primary education and gender equality in education; accomplish a three-fourths decrease in maternal mortality and a two-thirds decline in mortality among children below the age of five; halt and reverse the spread of HIV/AIDS, provide special assistance to Aids orphans and improve the lives of 100 million slum dwellers. To this end, a high-level panel was set up by UN Secretary-General Kofi Annan to make recommendations on the topics to be discussed at a Conference and Summit on Financing for Development, to be held under the auspices of the UN, on the lines of other global summits such as the Earth Summit in Rio de Janeiro in 1992 and the Population Summit in Cairo in 1994 organised by the world body as part of its endeavour to set up a framework of global conduct on issues that concern not just this or that country, but

One thinks mainly of the countries that constitute Asean, Brazil, Argentina and Chile, but also South Korea and Taiwan. Others, such as the oil producing countries of West Asia and the Persian Gulf, have profited from spectacular increases in commodity prices. India presents a mixed picture

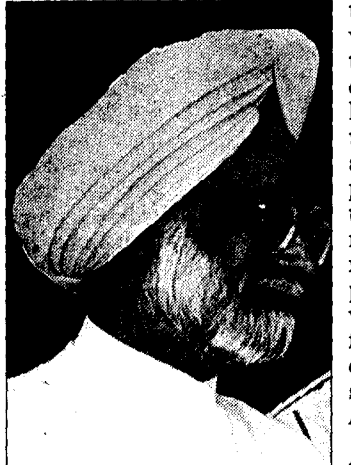
humanity as a whole. The panel was chaired by former Mexican President Ernesto Zedillo, included former Indian Finance Minister Manmohan Singh and the architect of the European Union, Jacques Delors, among its members and has just submitted its report. The panel's technical report

Concrete proposals deal with the reform of the taxation systems and the creation of a funded pension system in which the employee pays for his own future retirement. It has been well understood in this country that resource mobilisation has less to do with lack of resources and more to do

with a lack of social and political consensus on how the country can be better governed and the panel merely recommends that those countries which have been left behind follow the example of

development countries from manufacturing and exporting high-value goods, reforming trade-related intellectual property rights to facilitate the availability of low-cost medicines in particular, protection of certain industries in the least developed countries and so on. A commodity risk-management

elopment countries should not be expected to borrow to finance the latter. About the WTO, the panel makes the significant point that the consensus on which it is based was often achieved through informal negotiations among "self-selected countries" whereas the negotiated agreements have to be subscribed to by all WTO members. Wherefore, "Many countries found after the Uruguay Round that they had accepted a series of obligations that had been developed without their participation, and which they would have great difficulty in implementing." The panel recommends the setting up of a steering group, representative of the total WTO membership, for negotiating consensus on future trade accords within the WTO. It proposes the setting up of a Global Environment Organisation with a standing equivalent to that of the WTO, the IMF and the World Bank and wonders whether the voting structure of the IMF and the World Bank, which is weighted according to the country's importance in the world economy, ought not to undergo some change. The size of the US economy allows it to veto decisions taken with an 85 per cent majority. Finally, the panel suggests the



Manmohan Singh: On the panel

GLOBAL FINANCIAL PROFILE	
<b>FDI (investment in companies and property, rather than stocks)</b>	<b>Total world FDI inflows in 2000</b>
\$1,118 billion	17%
Developing country share of world FDI inflows in 2000 (\$190 billion total)	0.5%
The share of the world's 48 least developed countries (LDCs) in 1998 total world FDI	20%
The number of developing countries (out of 138) accounting for 70% incoming FDI in the period 1993-98	
<b>Portfolio Investment (stocks and stock funds)</b>	<b>Estimated total value of world stocks, bonds, securities and other financial assets</b>
\$50 trillion	\$37 trillion
Total global equity market capitalization	40%
Share of global equity market capitalization located in USA	10%
Share in the emerging economies	
<b>Official Development Assistance (ODA) (foreign aid)</b>	<b>Total ODA in 2000 (6% decrease from 1999)</b>
\$53.1 billion	\$12.1 billion
Total ODA to LDCs in 1998	0.22%
Average per cent of GNP contributed as ODA by donor countries in 2000	0.7%
Per cent of GNP widely agreed as ODA target for donor countries	
<b>Debt of least developed countries</b>	<b>Total external debt stock of LDCs in 1998 (25% increase over 1990)</b>
\$150.4 billion	101%
Debt stock as share of total LDC gross national product in 1998	
<b>Trade</b>	<b>Total world exports in 2000</b>
\$6.3 billion	33%
Share of developing countries in world exports in 2000 (\$2.1 trillion total)	
Total LDC exports in 1999	\$27 billion
Estimated annual cost of trade barriers in the North to the economies of the South	\$100 billion+

the life-style of the haves. But to be poor in today's world, where television and advertising make even the most destitute aware of the gulf separating them from the rich, must be even more intolerable. It then goes on to assert that helping reduce global poverty and distress is a matter of "enlightened self-interest" for the rich countries "not just, or even mostly, because economic development creates larger markets for exports" but through containment of "a host of problems driven by poverty and hopelessness, that do not respect national borders, such as contagious diseases, environmental degradation, religious fanaticism and terrorism." Having said this, the panel says the principal responsibility for achieving the international development goals set by the millennium summit remains with the policymakers of the poorest countries. The recommendations are classified under five heads: domestic resource mobilisation, trade, private capital inflows, international development cooperation and systemic issues. Most of the panel's recommendation regarding domestic resource mobilisation touch upon topics routinely debated in political forums and in the media in this country and go in the direction of creating a modern, welfare state with strong public spending on education and health care, creation of equal opportunities through recognition of property rights, gender equality and, in some cases, land reforms, the setting up of a strong legal system on which both citizens and foreign investors can depend, the creation of stable and impartial political institutions, a free press and "a competent and corruption-free public service".



Ernesto Zedillo: Panel member

those who haven't. On trade, the panel notes that trade barriers in the rich countries, mainly in the form of high tariffs on agricultural goods, deprive the developing countries of exports worth \$130 billion and that even a 50 per cent tariff cut could help developing countries increase their exports from \$90 to \$155 billion a year. The problem faced by the least developed countries has to do with market access. New Zealand and Norway have opened up their markets completely, while the European Union will do away with all quota and tariff restrictions, excepting those on exports, for least developed countries, between 2002 and 2004. Other recommendations made by the panel relate to securing implementation of the Uruguay Round, reduction of agricultural subsidies which, in the countries of the Organisation for Economic Cooperation and Development amounts to \$361 billion ("more than the combined GDP of sub-Saharan Africa"), doing away with tariff escalation disproportionate to a degree of processing of manufactured goods which prevents

fulfilled their quotas so far. In 1999, the ODA provided by the OECD countries stood at \$56 billion which was 0.24 per cent of their combined GDPs. The panel also recommends that aid be directed at actually reducing poverty and achieving human development targets, rather than be tied in a way that ultimately benefits the donor countries (through exports and realisation of foreign policy objectives) as 30 per cent of all ODA actually is. It also asks both donor and

Global Progress in Economic and Human Development, 1950-2000		
Item	1950	1998 or 1999
Average income per capita (1990 dollars) \$2 a day	2,144	5,709
World	1,093	3,102
Developing countries		
Share of population living on less than \$2 a day	53%	40%
World	n.a.	n.a.
Developing countries		
Share of population living on less than \$1 a day	42%	17%
World	n.a.	28%
Developing countries		

recipient countries to monitor the expenditure of aid to this effect. The question whether a global currency transaction tax should be levied to raise funds for the creation of global public goods is asked. Development and the creation of global public goods should be financed separately and dev-



Kofi Annan: Set up the panel

setting up of an international tax organisation to tackle the complex tax situation that has arisen because of globalised trade and investment. The panel says the "right to tax the income of multinational corporations with operations in many different countries depends today upon complex and arbitrary conventions". There is also unhealthy tax competition between countries which are in the race to attract FDI. An international body of this kind would compile statistics, identify trends and problems, present reports, offer technical assistance and develop norms for tax policy and administration...and in due course develop and secure international agreement on a formula for the unitary taxation of multinationals. The cost of achieving international development goals by 2015 would be roughly \$100 billion a year. (The author is Senior Leader Writer, The Statesman.)

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**Il Palio**  
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BY JUDD

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# India wants its trade concerns addressed

By Amit Baruah

**JAKARTA, MAY 30.** India says it is "anxious" that its implementation-related concerns on the Uruguay round of trade negotiations are "addressed satisfactorily" before a new round of World Trade Organisation negotiations takes place.

Addressing the XI G-15 summit's opening session, the Vice-President, Mr. Krishan Kant, said today that there were several implementation problems relating to various Uruguay Round agreements and decisions.

"Especially in the field of agriculture, there is the problem of export subsidies provided by the developed countries to their agricultural exports, while the developing countries are prohibited from giving any new export subsidies.

"In the mandated negotiations on the WTO Agreement on Agriculture, India has articulated its concerns in areas of domestic support, market access, export competition and food security. Furthermore, a large agrarian economy would need enough flexibility under the agreement to take care of its food security, rural employment and livelihood concerns," the Vice-President said.

The G-15, he said, must resist the linking of trade with core labour standards and environmental issues, competition policy and NGOs' involvement in WTO negotiations.

Referring to the digital divide, one of the themes to be addressed by G-15, Mr. Kant said the divide

was created by unequal access to information technology. "Collective global action is required to bridge this divide. This divide is not only a technological divide, it is a knowledge divide.

It is a language divide, gender divide, purchasing power divide,

rich-poor divide." It was important for the developing countries to present a unified viewpoint on issues of digital divide.

India would be happy to share its experience in information communication technology (ICT) and its applications with develop-

ing partners through avenues such as the Indian Technical and Economic Cooperation (ITEC) programme.

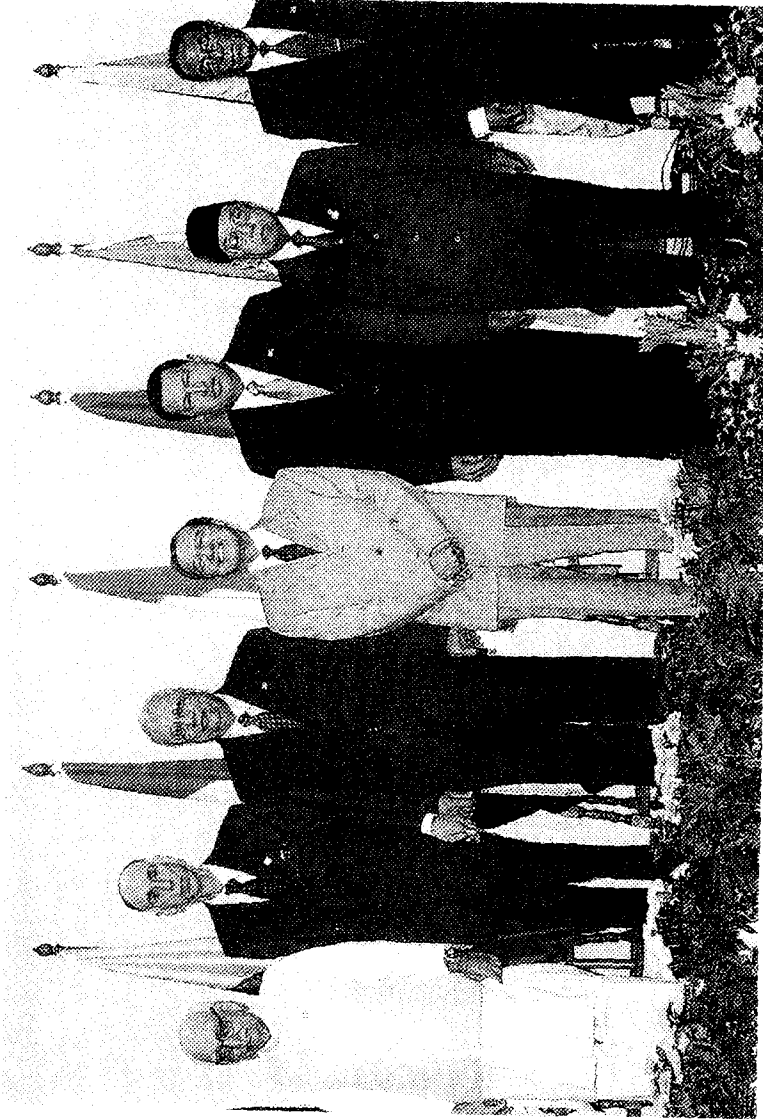
"India would like to make the offer of 50 training slots in ICT to candidates from G-15 countries during the current financial year.

Similarly, we wish to learn from the successful experiences of other countries in the field," Mr. Kant said.

"The Jakarta Declaration on Information and Communication Technology for Development (to be issued tomorrow) rightly stresses the need for a common vision and adequate and timely cooperation to bridge the digital divide. India welcomes the establishment of a G-15 task force on ICT and looks forward to actively participating in its deliberations and work programme," he said.

On HIV/AIDS, he said access to essential drugs was of critical significance. "Essential care should be made available on an affordable basis to those who need it. Availability of resources is a major constraint in many of the developing countries.

"International institutional funding for vaccine research needs to be encouraged, covering all sub-types of the AIDS virus. Any resulting patent arising out of such research should be held in public domain so as to enable all countries of the world to manufacture the vaccine. India has also suggested the setting up of a global drug facility, on the lines of those set up to combat leprosy and tuberculosis, for HIV/AIDS also, with liberal contributions from bilateral and multilateral donors and drug companies, both multinationals as well as generic manufacturers... There should be universal support for expanding availability of such drugs to developing countries," the Vice-President said.



Leader representatives of the Group 15 Nations (from left to right), the Vice-President, Mr. Krishan Kant, the Brazilian Vice-President, Mr. Marco Marciel, the Egyptian Prime Minister, Mr. Ataf Ebeid, the Malaysian Prime Minister, Dr. Mahathir Muhammad, the Venezuelan President, Mr. Hugo Chavez Frias, the Indonesian President, Mr. Abdurrahman Wahid and the Zimbabwean President, Mr. Robert Mugabe, posing for a group photo in Jakarta, on Wednesday. — AFP



# Economic colonies remain, says Mugabe

By Amit Baruah

JAKARTA, MAY 30. The Zimbabwe President, Mr. Robert Mugabe, today said that at the economic level "some nations" were still "emperors" while others were still "economic colonies".

Speaking on behalf of Africa at the inaugural session of the G-15 summit, Mr. Mugabe was scathing in his criticism of economically-advanced countries. He said the G-15 provided the developing countries a forum to reflect why despite rhetoric, development assistance programmes and prescriptions from the IMF and World Bank, "our economies and peoples remain poor, marginalised and servile to the economies of the developed world, especially those of Europe and the United States".

"The current world economic order is deliberately and subtly constructed and orchestrated for the subjugation and exploitation of Third World economies and people...this world order has to be rejected for its injustice towards the economies and peoples of the developing world," he said.

Calling for a review of the "domineering instruments" of the prevailing economic order, Mr. Mugabe stated that the skewed distribution of information and communication technologies (ICT) had become a major hindrance to the development of developing countries.

"Access to information and information technology has become a reliable barometer for the measurement of the relative prosperity and level of development of countries and communities...."

"Statistics show that out of 150 million subscribers to fixed line telephones worldwide during 1999, 87 million were in North America, 33 million in Europe, 4.5 million in Latin America, only one million in Africa and the remaining 24 million was shared between Asia and the Caribbean and Pacific countries," he said. The African leader called upon the G-15 countries to reaffirm their commitment to invest "very significantly" in information and information technology which had become "one of the most powerful tools for the political, cultural and economic participation of our respective countries in global governance".

Referring to the "downside" of these technologies, Mr. Mugabe said: "Through



The Venezuelan President, Mr. Hugo Chavez (second left), gestures towards Indonesia's President, Mr. Abdurrahman Wahid (second right), as the Malaysian Prime Minister, Mr. Mahathir Mohammad (left), and Zimbabwe's President, Mr. Robert Mugabe, look on during a photo session of the Group of Fifteen (G-15) leaders in Jakarta on Wednesday. — AP

pornography, disinformation, the popularisation and internationalisation of crime, drug networking and character assassinations of public office holders and governments, the toll-free and regulation-free information highways and the Internet threaten the very being and essence of our nations and communities."

"Globalisation poses real threats to our established views about nations, nationhood, territorial sovereignty and the loyalty of citizens to their countries. What is more, an immediate acceptance by nations of the concept of the global village will solicit demands for service and loyalty to the new village by all the disparate nations of the world," he added.

In his address on behalf of Asia, the Malaysian Prime Minister, Dr. Mahathir Mohammad, said: "While we do not deny that globalisation brings benefits, we have also to acknowledge the challenges and the

risks that unfettered globalisation has brought about...."

"There is no doubt that globalisation has exacerbated the vulnerabilities of developing countries and eroded their national policy-making capacity. In the area of trade, for instance, developing countries have been unable to overcome the inequitable and declining terms of trade against that of the developed countries. Yet, developed countries continue to push the developing countries to further liberalise their trade regardless of whether or not their economies are ready or able to cope with the process," Dr. Mahathir said.

Referring to the need to create good infrastructure and a "knowledge society", the Malaysian Prime Minister referred to India by name. "On the IT content, we could all, for instance, learn from India in developing content industries as well as in creative media," he stated.

# ARMADA AWEIGH

## Policing troubled waters

THE joint-exercise by 16 navies hosted by Singapore would point to a welcome course being sailed in the bid to promote international efforts to protect some of the busiest sea lanes on the globe. Congestion is not the sole problem in the Singapore Straits, Malacca Straits and the South China Sea, piracy is assuming threatening dimensions. No wonder the Chinese, Japanese, Russian, French and US involvement along with forces from regional and Indian navies. The "action" over the next few days might be limited in tactical military terms, but it has a strategic significance in that the navies concerned have gone beyond talking about pooling resources to curb crime at sea and are initiating measures that would contribute to cooperation. If it does not automatically generate goodwill, it will certainly dilute suspicions. But the greatest value is the signal that it sends out to pirates and criminals — their misdoings are no longer treated as a local issue. The next step could be the navies coordinating their patrols in such a manner as to create a larger protective blanket.

While India might not have high direct stakes in the troubled waters, it does have concerns. There is reason to assume that a fair amount of pirated goods are off-loaded in smaller ports. Nor can gun-running be taken lightly, particularly since some uninhabited islands in the Andaman and Nicobar group are being used as transshipment points. In larger strategic terms, India with its large navy would be expected to play a major role, take the lead in western waters of the Arabian Sea which plays host to the sea-lanes to the oil rich Gulf states.

# 'Third World concerns need to be addressed'

By Amit Baruah

JAKARTA, MAY 31. The G-15 today called on developed countries to address concerns of the developing world at the November Ministerial conference of the World Trade Organisation in Doha, Qatar, and other international fora.

A joint communique issued by the grouping, the membership of which has expanded to 19, said: "We strongly stress the need for a meaningful solution to the implementation issues pertaining to the Uruguay round agreements and decisions by the IV Ministerial Conference in Doha, Qatar... and the operationalisation of the special and differential provisions in favour of developing countries as a binding commitment."

"We agree to strengthen cooperation among our countries in matters concerning multilateral trade negotiations, including timely consultations at the appropriate levels, in order to contribute meaningfully to the safeguarding of interests of developing countries in these negotiations."

"We are against the use of subsidies, anti-dumping and safeguards provisions as protectionist and trade-distorting measures by developed countries. It is also regrettable that while negotiations in the WTO have significantly led to the liberalisation of trade in many sectors, equal attention has not been given to those sectors of particular importance to developing countries, such as textiles and agriculture," the communique said.

The G-15 also issued the "Jakarta Declaration on Information and Communication Technology for Development," saying that ICT was "central to the emergence of a knowledge-based economy and information society."

"In the light of challenges and opportunities presented by the digital era, we agree on the

establishment of a G-15 task force on ICT to elaborate the modalities for the implementation of a framework of cooperation and collaboration on ICT, including the proposal to establish a G-15 online resource centre..." the declaration said.

Following from the communique issued in Cairo last year, the G-15 once again expressed concern over terrorism. "We condemn terrorism, irrespective of the political, philosophical, ideological, religious, ethnic, racial or any other consideration that may be invoked to justify terrorist acts."

"We also condemn States that aid, abet and directly support cross-border and international terrorism including fund-raising for terrorist activities."

Reaffirming the G-18's "commitment" to fight poverty, the statement said: "We note with concern that 1.2 billion of the world's population still lives in conditions of abject poverty and deprivation and the international community must therefore demonstrate greater commitment to making the right to development a reality."

"The international community should address and urgently rectify all existing imbalances in the world economy to enable developing countries to finance their development strategies. We emphasise that the reform of the international financial architecture (IFA) is long overdue and top priority should be given to measures by both the public and private sectors to prevent future crises... we welcome Malaysia's offer to convene a meeting of G-15 experts to examine the current work on IFA issues in order to better articulate positions in various international fora."

Referring to corruption and illegal transfer of funds, the G-15 said in a number of developing countries it constituted a hindrance to

development. "We, therefore, reiterate our support for the resolution on Prevention of Corrupt Practices and Illegal Transfer of Funds adopted by the United Nations General Assembly at its 54th session and call for redoubled efforts to address, in all its ramifications, the illegal transfer of funds to ensure their repatriation to the countries of origin."

Welcoming the Rio+10 conference on environmental issues, the statement, however, noted that the "environmental consciousness and momentum generated by the United Nations Conference on Environment and Development (UNCED) held in 1992 in Rio de Janeiro have not been matched with adequate action by most industrialised countries, which bear responsibility for the greater share of environmental degradation..."

"Industrialised countries have not fulfilled their commitments to provide the necessary assistance, including new and additional financial resources, technical expertise and the transfer of environmentally friendly technology on favourable terms to developing countries. These factors are crucial to the implementation of national policies and multilateral environmental agreements as well as the improvement of the competitiveness of environmentally friendly goods and services of developing countries," the statement said.

Calling for greater South-South cooperation, the G-15 stressed the need for enhancing trade and investment flows among member nations. "We remain convinced that South-South cooperation will enable our countries to take advantage of existing and potential complementarities in our economies and act as an anchor for our efforts towards restructuring international economic relations and the strengthening of the world economy."

# Commission to implement decisions

By Amit Baruah

**JAKARTA, MAY 31.** Eleven years after setting it up, leaders of the G-15 today questioned the efficacy of the organisation and stressed the need for reinvigorating and revitalising the grouping which was formed to serve as a forum to further the interests of developing countries.

At the retreat of G-15 leaders yesterday, a proposal was put forward by the Venezuelan President, Mr. Hugo Chavez, to set up a "commission" to implement G-15 decisions. After much debate at the closing session today (since countries like Chile, Kenya, Mexico, Peru and Sri Lanka were represented by Ministers at the summit and, hence, could not attend the retreat yesterday), the proposal to

set up the "commission" was finally approved by consensus.

The joint communique issued at the end of the two-day summit said on the issue: "We undertook an appraisal of the objectives, orientations and functioning of our Group and agreed on additional steps to finetune and revitalise the procedures and mechanisms for consultations and cooperation among our countries..."

Acknowledging the "imperative for a sombre reflection and the revitalisation of the G-15 to better attain its founding objective of serving as a catalyst of developing countries", it was decided to establish a commission with the Venezuelan President, Mr. Hugo Chavez, at its head to "elaborate on the matter and carry out consultations and make recommen-

dations to other Heads of State and Government". The Foreign Ministers of the G-15 are to then act on the agreed recommendations.

The language used in the joint communique was politically correct, but Mr. Chavez (Venezuela is the new G-15 Chairman) repeatedly referred to the organisation as "impotent". Mr. Chavez said he was concerned to see that the "biggest proportion" of decisions taken by the Heads of State were "left by the wayside". It was time, he said, for action and not just words. The G-15 should "either strengthen itself or disappear", the Venezuelan leader said, adding that it had no choice but to strengthen itself. "The G-15 should be strong so that the Northern world should listen to it seriously."

The Jamaican Prime Minister, Mr. P.J. Patterson, who strongly supported the formation of the commission, was critical of nations who could not be represented at the retreat yesterday since their level of representation was not sufficient. His statement followed objections from some delegations that they were not aware of the proposal to create a "commission" to implement decisions take by the G-15 leaders. Mr. Patterson said the decisions taken yesterday could not be "watered down" because of this reason.

India and Indonesia, too, supported the proposal to set up a commission as did Kenya which said the "commission" should not be a supra-institution and there should be no "financial implications" for member-countries. The closing session, which was supposed to end at 11.30 local time, continued some three hours after the deadline. Much of the time was taken up by Mr. Chavez who actively pushed his proposal to create a new implementation instrument.

Speaking on the issue, the Indonesian President, Mr. Abdurrahman Wahid, said the "fertilisation" of the G-15 was very important. "If we don't think of that (fertilisation) then there is no point in continuing with the G-15." Asked for his view on the G-15 deliberations, the Vice-President, Mr. Krishan Kant, said: "We are happy that we have worked together."



The Indonesian Vice-President, Ms. Megawati Sukarnoputri, sits with (left to right) the President, Mr. Abdurrahman Wahid, the Foreign Minister, Mr. Alwi Shihab, and the Trade and Industry Minister, Mr. Luhur Panjaitan, at the closing of the Group of Fifteen summit in Jakarta on Thursday. — AFP



## 1-10 Global scapegoat 18/5

Every so often, a piece of writing stirs up a lively debate. So it is with 'Winners and Losers', an article in *The Economist* written by Robert Wade, professor of political economy at the London School of Economics. Professor Wade's basic contention is that global inequality is increasing. This, he implies, puts globalisation squarely in the dock. Since this fits in perfectly with populist rhetoric around the world, several leaders may well rush to embrace Professor Wade. However, they should pause before pouncing, because several of the professor's arguments are open to discussion. For one thing, the data on which he bases his contentions is updated only till 1993, and the world has changed considerably since then. Further, Professor Wade claims that developed countries have grown faster than developing countries. Really? Through the 1990s, India's gross domestic product grew at around 6 per cent a year, while China's average growth was close to 9 per cent. Developed economies are ecstatic if they can achieve half that level. Even the East Asian tigers, despite the Asian contagion, are significantly better off than they were 20 years ago. By some estimates, it will take India 70 years just to catch up with the per capita income level of Thailand. Certainly, parts of Africa, Central Asia, Russia and East Europe may be faring poorly, but as Professor Wade himself acknowledges, these include several states whose capacity to govern is stagnant or eroding. So, it's a little unfair to club all developing nations together and flatly declare them failures.

Professor Wade also treats urban China, urban India, rural China and rural India as four distinct nations. He then says that inequality has increased because of (a) stagnation in rural China, rural India and Africa and (b) the widening gap between urban China on the one hand, and rural India and rural China on the other. Again, one must ask whether this is not a case of globalisation being made the scapegoat for governmental failure. An urban-rural divide has existed long before globalisation and, contrary to popular perception, rural areas have been actively shielded from globalisation around the world. Most governments give their farmers huge subsidies and erect daunting barriers to agricultural imports. In fact, it can be argued that urban China has grown because it has enthusiastically embraced the rest of the world, while rural China lags behind because it is not allowed to. If you find that far-fetched, bear in mind that Japanese industries are world-beaters in sectors in which they were exposed to global competition, but vast chunks of the Japanese economy — including agriculture — which were protected are inefficient, high-cost, and retard Japan's overall quality of life. And finally, one cannot help but question one of Professor Wade's assumptions: that inequality is worse than absolute poverty. In terms of income distribution, the US was probably a far more unequal society than the erstwhile Soviet Union, but there can be little doubt which one gave more of its citizens a better quality of life. N R Narayana Murthy of Infosys, once a committed socialist, explained his change of heart by saying that he preferred to create wealth rather than redistribute poverty. It's too bad Mr Narayana Murthy has proved a bigger inspiration for young geeks than for wizened politicians.

# Caspian to Turkey pipeline may be reality

By DOUGLAS FRANTZ  
New York Times Service

**Istanbul (Turkey), May 18:** The companies involved in a much-debated pipeline to carry oil from the Caspian Sea to Turkey's Mediterranean coast have announced that they have found the initial cost estimate to be viable and will begin the next phase.

The pipeline, backed by the previous and current US administrations as a means of loosening Russia's control over the transportation of Caspian Sea oil, would run from Baku, the capital of Azerbaijan, through Georgia to the Turk-

ish port of Ceyhan.

It has been criticised as too expensive, but supporters said an initial engineering study put the costs within an acceptable range. Though they did not specify the range, previous statements have estimated the cost at about \$2.7 billion. BP PLC, the oil company managing the project, said investors met in Baku on Tuesday and had authorised a more detailed feasibility study. The study, it said, will cost \$150 million and should be completed in mid-2002. Construction could be completed by the end of 2004.

People close to the project said the basic

report came up with a price that was within 30 per cent of the \$2.7 billion estimate. Variables like the price of steel, rights of way and construction of roads through mountainous terrain in Georgia will be factored into the final price.

BP holds 25.4 per cent of the Baku-Ceyhan project; six other multinationals, including Unocal and Delta Hess, share an additional 24.6 per cent. The remaining 50 per cent is held by the State Oil Co. of the Azerbaijan Republic, or Socar. Ms Elizabeth Jones, the Bush administration's adviser on Caspian energy projects, said the decision to begin a detailed study was significant.

THE ASIAN AG

15 MAY 2001

# Pope breaks ground, prays for forgiveness at mosque

REUTERS  
DAMASCUS, MAY 7

98-10  
9/5

**P**OPE John Paul took off his shoes and entered a mosque on Sunday, becoming the first Pontiff in history to visit and pray in a Muslim place of worship.

The Pope used the occasion to urge Christians and Muslims to forgive each other for the past, but in reply he heard a tirade against Israel by Syria's most senior Muslim leader. Speaking inside the Great Umayyad Mosque, a splendid testimonial to Syrian history, the weary-looking Pontiff said religious conviction was never a justification for violence. "Never more communities in conflict," he said in the mosque, which contains a memorial to St John the Baptist. Outside lies the tomb of Saladin, who drove the crusaders from the east. At perhaps the most poignant point of the visit, the Pope, wearing white cloth slippers, was told by a guide: "Now Holy Father, we will leave you alone with God so you can pray."

The delegation took a step backward as the Pope leaned with one hand against the monument and one on his cane in silent contemplation and prayer. The Pontiff, who revolutionised ties with the Jews by visiting Rome's synagogue in 1985, said it was now time to turn the page with Islam too.

"For all the times that Muslims



**Pope John Paul II, surrounded by Muslim clerics, leans on the tomb of John the Baptist in Umayyad mosque, Damascus on Sunday — Reuters**

and Christians have offended one another, we need to seek forgiveness from the Almighty and to offer each other forgiveness," he said in his address to Muslim leaders, including the Grand Mufti of Syria.

"Better mutual understanding will surely lead...to a new way of presenting our two religions, not in Opposition as has happened too often in the past, but in partnership for the good of the human family."

In contrast to the Pope's plea, Syria's highest religious leader, Mufti Ahmad Kaftaro, used his speech to make the latest in a series of attacks against Israel. Kaftaro

urged "the Catholic church all over the world with his holiness the Pope at its head and the Christian governments of the west to stand in support of justice and put pressure on Israel by every means to curb its atrocious aggression. "I believe that this is the least that Christianity, as a proof of its allegiance to Jesus Christ, can offer the world."

His words jarred with the Pontiff's theme of mutual forgiveness, begun on Friday in Greece, where he sought God's pardon for the wrongs committed by Catholics against the Orthodox faithful in the past 1,000 years.

INDIAN EXPRESS

- 8 MAY 2001

# Muslims see covert motive in mosque visit

Nicolas Pelham  
Damascus, May 6

POPE JOHN Paul II, who has made many firsts, makes history again when he becomes the first pontiff to enter a mosque with his visit to Umayyad mosque in Damascus.

But away from the State fanfare surrounding the visit, Muslim preachers across Syria have questioned the Pope's motives for choosing the Umayyad mosque, which 1,400 years ago was a Byzantine cathedral and still houses the tomb of St John the Baptist. The Vatican's refusal to apologise for Christian aggression against Muslims has fuelled fears that the Pope may be seeking to revive the millennial battle for control of the holy places, rather than looking for reconciliation with Islam.

Muslim leaders had demanded that he remove his cross, saying the crucifix is an insult to Islam. They also want him to say sorry for the Crusades, following his dramatic apology in Athens on Friday for the "sins" committed by the Roman Catholic Church against its Orthodox brethren.

"In a Muslim state, crucifixes should not be brandished in public, all the more so inside the holy place of Islam," said Sheikh al-Hout, of the nearby Amara mosque. "The Pope must respect these conditions like anyone else."

Islam recognises Jesus as a prophet, but claims he never died on the Cross.

The Catholic bishop organising the papal visit, Izidore Battikha, dismissed the demands as the fuming of fanatics. "There will be no apology, and the Cross will be prominent on the Pope's vestments when he enters the mosque," he said.

"History teaches us that Western pilgrimages have covert



AFP PHOTO  
Pope John Paul II yawns during an open-air mass at Abbassiyin stadium in Damascus on Sunday.

political motives," said Dr Bouti, Syria's leading Sunni preacher. He joined other standard-bearers of conservative Islam to block the Vatican's attempt to hold a common Christian-Muslim prayer in the mosque.

"Would the Pope let us give the Muslim call to prayer at St Peter's?" asked al-Hout, as policemen with Kalashnikovs patrolled the gates.

In other Friday prayers on the eve of the Pope's visit, Muslim leaders iterated that he was following less in the footsteps of St Paul than those of the crusaders a 1,000 years later. Where Catholic knights came with arms to plant crosses atop Syria's mosques 900 years ago, they said, Pope John Paul II was using stealth.

Some asked why he had chosen to make his first mosque appearance in Syria — a country whose leaders belong to the heterodox Alawite sect and are regarded by Sunnis as non-Muslims.

The Guardian

# Pope apology to mend fences with Orthodox Church

Athens, May 5 (AP) —  
**JOHN PAUL II** tried to mend the ancient rift with the Orthodox faith yesterday, expressing "deep regret" for the Roman Catholic Church's misdeeds as he made the first papal visit to Greece since the churches were one.

The Pope lamented the "disastrous sack of the imperial city of Constantinople", the massacre and pillaging of the heart of the Byzantine Empire, beginning in 1204. The sack of the home of the Eastern Church by the armies of Crusader knights was one of the historic grievances that had kept the Greek Orthodox Church so resistant to a papal visit. Some ultraconservative Orthodox priests had protested against the Pope's arrival by tolling church bells in mourning.

"For the occasions past and present, when sons and daughters of the Catholic Church have

sinned by action or omission against their Orthodox brothers and sisters, may the Lord grant us the forgiveness we beg of him," the Pope said.

He ended the brief landmark trip to Greece that may mark a turning point in relations with the Orthodox Church. He appealed to Catholics to work for Christian unity during the homily of a mass for some 15,000 people representing the country's Catholic community of 200,000. It was his last engagement in Greece before flying off to Syria, where he was expected to plead for peace in West Asia.

In his homily, the Pope said all Christians should show "passion" for eventual unity between all branches of Western and Eastern Christianity. "We take with us the sad heritage of the past...there is still a long way to go," he said.

The Pope, who appears to be holding up well, made yesterday's

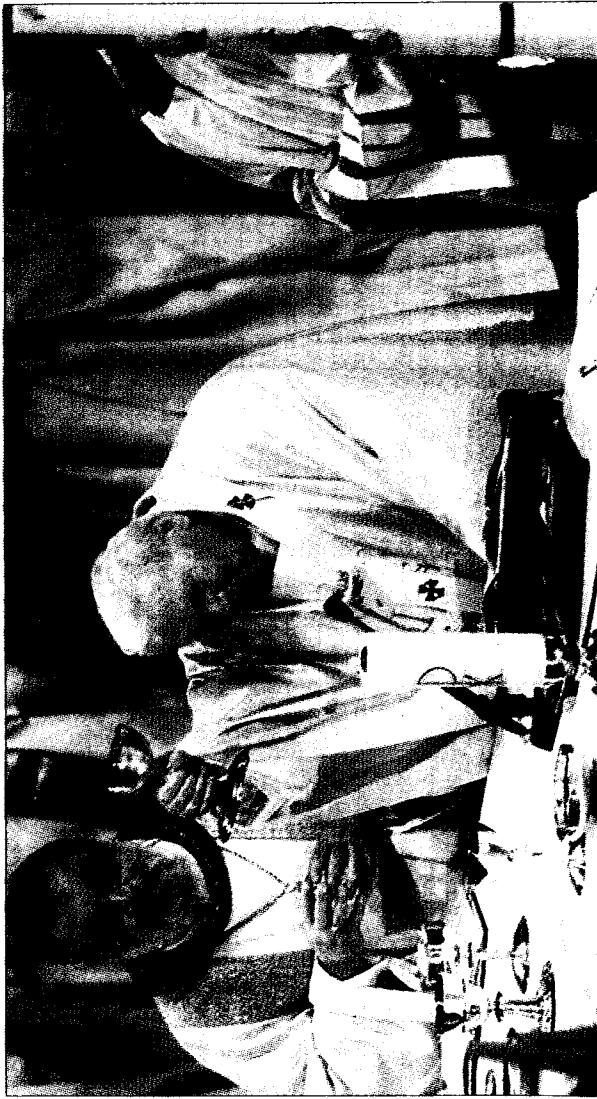
day's apology for the sins of the Roman Catholic Church after a harangue by Greek church leader Archbishop Christodoulos, who had only grudgingly allowed the Pope to make the trip.

Many Orthodox Christians blame Catholics for a litany of offences, starting with the Great Schism of 1054 and the Fourth Crusade that sacked Constantinople in 1204. In his request for forgiveness, the Pope mentioned the sack of Constantinople.

The two later sat on the hill where the apostle preached to ancient Athenians and issued a joint statement calling for an end to violence in the name of religion.

"Only two months ago this trip was unthinkable and today they have signed a joint declaration. I see that as real progress," Vatican spokesman Joaquin Navarro-Valls said.

**Reuters**



APF PHOTO

Pope John Paul II holds up the communion cup during a holy mass at Athens on Saturday.

## May Day Globaloney

Protests against globalisation have become mandatory on Labour Day, and this year was no exception. Interestingly, workers in developed countries were expressing their resentment at the prospect of their well-paying jobs being 'exported' to Third World nations. In other words, they fear the creation of new jobs in poor countries at their expense. But trade unions in countries like India have been arguing that globalisation will kill indigenous industries, thereby wiping out jobs in the Third World. Simple logic dictates that both sides can't possibly be right. So who is correct? Actually, neither. Both arguments are based on the faulty, pseudo-mercantilist belief that globalisation is a zero-sum game, where one person's gain is necessarily another's loss. What both sides fail to realise is that globalisation actually expands the pie for everyone. Here's how. Companies entering a hitherto closed market generate employment and push up wages. This creates additional demand, which may not be completely satisfied by the existing domestic industry. The result: increased imports, which in turn create fresh jobs in the exporting nation. This is not just theory. When the North American Free Trade Association was being formed, Ross Perot had issued dire warnings about the "great sucking sound" of jobs moving from the US to Mexico. American investment in Mexico did rise, but 14 million additional jobs were simultaneously generated in the US through the 1990s. Even India's half-hearted embrace of globalisation has seen salaries and consumer choice rise to levels that were unimaginable during our socialistic heyday. Still not convinced? Well, bear in mind that the country which has most successfully avoided globalisation is North Korea — surely not the development role model we'd like to follow.

True, globalisation has its ill-effects. But as John Micklethwait and Adrian Woolridge point out in *A Future Perfect*, it is usually made the scapegoat for distress caused by the introduction of new technology or the repetition of old mistakes. Thus, the Asian crisis may have been aggravated by the rapid movement of foreign capital, but it fundamentally arose on account of governments preserving archaic systems and local industries taking on dangerously high levels of debt. Of course, industrialists and workers alike keep creating bogeymen, and the media frequently plays along. But as finance minister Yashwant Sinha recently observed with commendable clarity of vision, if Chinese exports to India have risen by 30 per cent, Indian exports to China are up 60 per cent. By a happy coincidence — or was it? — the commerce ministry announced on the same day that India's exports in 2000-01 rose by 20 per cent, exceeding the target of 18 per cent. Mr Sinha also said that India was now more positive about a new round of World Trade Organisation negotiations. Such a round would give India and other developing countries the opportunity to demand greater access to western markets. According to a study by the United Nations Conference on Trade and Development, the developing world could add exports of \$700 billion a year if rich nations lowered their trade barriers. Ironically, the so-called champions of the poor — who should be storming the barricades of the First World — instead want India to erect some more of its own. Clearly, they've forgotten that the first truly global export was Marxism.

THE TIMES OF INDIA

5 MAY 2001



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# An act of catholicity

**B**ENT WITH age though he may be, Pope John Paul II last week ventured to take on a task that younger and far more powerful people are reluctant to at present. In his effort to quieten the passions of the region, the Pope stressed, as the theme of his visit, the message of love, peace and harmony that all religions are supposed to teach. At the end of the day, the pontiff found that the divergence in historical memories was running

*For the first time in recorded history, the head of the Roman Catholic Church stepped into a Muslim religious site in a demonstration of reconciliation. Kesava Menon on the Pope's recent visit to Syria.*

far stronger than the commonalities in scriptural doctrine.

In a sense, the Umayyad mosque in Damascus appeared to symbolise the different strands of historical experience that run riot in the region and the papal visit to the shrine was a genuine effort to re-examine these experiences to discover the commonalities. For the first time in recorded history, the head of the Roman Catholic Church stepped into a Muslim religious site in a demonstration of reconciliation between two scriptural traditions that have fought each other bitterly over the centuries especially in this part of the world. Together with his approaches to the heads of the Eastern Orthodox Church, the pontiff did seem very keen to at least erase the bitter feelings between the different strands that flow from the monotheistic principle of West Asia. But in the celebration of the meeting point between two of the scriptural traditions that flow from the monotheistic principle, there was also aroused the rage that Arab Christians and Muslims feel towards the adherents of the third scriptural tradition, Judaism.

Although the unwanted controversy of the papal visit did not erupt at the Umayyad mosque itself, a reading of the history of this shrine is of great value in trying to untangle the



**The Pope with Syria's leader, Dr. Bashar Al Assad... a visit full of symbolism.**

torrid tale of the relations among the adherents of the three monotheistic religions of West Asia. The spot where the mosque now stands is believed to have first acquired an aura of sanctity as the shrine for a Semitic god. Perhaps, like other sacred sites throughout the Fertile Crescent that have been fought over by empires, this spot also successively housed the holy images of Greeks or Persians. But it re-emerged as a temple to the supreme Roman god Jupiter till after the advent of Christianity. Since Damascus was one of the major cities of the Eastern Roman Empire, it seems probable that the temple to Jupiter became a church at or about the time the Emperor Constantine embraced Christianity.

It continued as a Christian shrine till the Umayyads, the first dynastic and political Muslim

Caliphate (the first four Caliphs, considered the "rightly guided ones", had more a spiritual aura while Muawiya ibn Abu Sufiyan the first Umayyad Caliph inherited an empire) converted it into a mosque. The forces of Christianity and Islam fought each other bitterly from the declining years of the Eastern Roman Empire, through the Crusades and in a sense right up to the First World War when British forces seized Damascus and ended Ottoman control over the Arabian lands. But while the forces of Arabic and Turkish Islam fought Western Christendom, the Muslims and Christians of the Arab world had a far less turbulent relationship between themselves. Here again, the Umayyad mosque stands as a symbol of this relative harmony since it houses the tomb of John the Baptist who is also revered by Muslims as the prophet

Yahya. Conspicuous in the narrative of this religious site is the absence of any reference to Judaism. It is perhaps an ironic reflection of the alienation between the Arab Muslims and Christians of the modern world on the one hand and the Jews on the other that Damascus should also be associated with the Apostle St. Paul (or Saul of Tarsish as he was perhaps called before his beatifications). Saul the ordained Jewish priest was on a campaign of crushing those Semites who were straying from Judaism to Christianity when he had his Damascus Experience and changed from being Christianity's fiercest opponent to its most able proponent.

When Pope John Paul II traced the footsteps of St. Paul he inadvertently walked into the thicket of the Semitic disputes that have been raging for centuries.

In his speech welcoming the pontiff to his country, Syria's President Dr. Bashar al Assad (who as an Alawite is barely considered a Muslim by the more orthodox), said that modern day Israel's treatment of Palestinians and other Arabs was comparable to the manner in which the Jewish Pharisees had hounded the followers of Jesus in the early years of the Christian era. This statement was read together with another speech that Dr. Bashar had made a few months ago when he compared Israel's behaviour with that of the Nazis. Predictably enough, there came statements from Israel and the West accusing the Syrian President of anti-Semitism. Dr. Bashar's reply to this was that he could not be anti-Semitic since the Arabs too were Semites.

The loose application of the labels of racism paradoxically obscures and reveals the true nature of the Arab-Israeli dispute. If Arabs and Israelis are both Semites then the dispute is a religious one that dates back to the time when the followers of Judaism, oldest of the West Asian monotheistic traditions, denounced and prosecuted those they believed were committing heresy by following the teachings of Christ and Muhammed. But if the Israelis of today are a western people who are out to colonise a portion of West Asia, as the Arabs believe them to be, then it is a racial dispute between a Europeanised people and the indigenous Semites. The truth is that the Arab-Israeli dispute is a mix of both these divergences and much else besides.

# Globalisation and inequality: Lessons from Latin America

**M**R MURASOLI Maran effects a fiddle here and a fiddle there and the 'war heroes' (not from Kargil but those in Mr Maran's 'war room') have set up a temporary reprieve against the onslaught of imports by confusing importers as to which port is today the acceptable port of call. Yet the bottom line is that by 2005 almost all import duties are to be down to Asian levels of 10 to 15 per cent. My colleague, Prof Chimni, an expert on WTO laws informs me that even the present fiddling around with 'permissible ports' is bound to be rejected as it violates the WTO agreement on National Treatment. So, short of renegeing on WTO (which would make the RSS and the Left issue a collective whoop of joy) India is going to be a progressively more open economy in the next few years. Since Mr Maran and his 'war heroes' probably won't be around in 2005 to face the music, it is left to us lesser mortals to look at some of the consequences of globalisation. One important consequence for a poor country like India is the effect on income inequality.

The case for WTO and free trade rests on two important theoretical propositions. First, all large countries have an incentive to impose unilateral tariff (or non-tariff) barriers to free trade. Yet the end result is that all will be worse off than before but no one country now has the incentive to cut back on trade restrictions. This is what happened in the 'thirties and resulted in the need for GATT and multilateral tariff negotiations. Second, free trade leads to increased demand for a country's relatively more abundant resource which, in the case of developing countries, must mean labour. Hence trade leads to increased demand for labour and reduced income differences between capital

and labour.

We now have a large collection of empirical studies on the issue of trade and income inequality (see, Adrian Woods in *Market Integration, Regionalism and the Global Economy* (ed.), Baldwin, Cohen Sapir and Winters, 1999). The two main episodes of trade liberalisation have been East Asia (1955-75) and the Latin American countries (1975-90). Contrary to the theoretical arguments of the previous para, the experiences have been markedly different. While the East Asian economies found income inequal-

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## OCCASIONAL PAPER MANOJ PANT

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ity declining with increased exports, the Latin American experience was exactly the opposite. The late K N Raj in fact often wrote disparagingly about the 'Brazilian path'. What accounts for the difference?

The first factor was that while the East Asian economies expanded exports in manufactured goods, the Latin American countries banked on exports which used relatively more of natural resources (primary and processed agricultural goods). While the East Asian exports used more of unskilled labour, the natural resources used relatively more of skilled labour. Hence income inequality increased in Latin America. It must be remembered that TNCs were a major driver of Latin American exports of, in particular, processed primary goods.

Second, the difference in the two sets of countries lay in the timing. By the time the Latin American countries embarked on their export phase they were middle income countries. At the same time, in the 'eighties they were in competition with the low income South Asian

countries including China which could out compete them in low cost unskilled labour using exports. Obviously, such liberalising middle income countries would find the income inequality growing as trade expanded: their exports would use more of skilled and semi-skilled labour.

A third factor is particularly relevant for countries like India. In the last fifty years trade has been accompanied by technological change which is usually biased against unskilled labour. The East Asian countries accompanied their export oriented growth with emphasis on post-basic education to equip the unskilled labour against the impact of technical change. It is now well known that countries like South Korea and Taiwan forced a change in their manufacturing profile towards skill intensive heavy engineering goods. Wage differentials by level of education tended to fall in East Asian countries but increased in the Latin American countries.

What are the lessons for India? Given today's world of competing low income economies (Myanmar, Indonesia, Vietnam, etc) it is better to learn from the lessons of Latin America: the government must invest heavily in not just primary but secondary and higher education. Yet the government is pledged to dismantle the higher education sector. Even today we are struggling to spend 3 per cent of GDP on education. Scientists have been writing regularly on the state of science in Indian universities (it's in deep coma!). Yet all we hear is a meaningless debate on vedic astrology! One non-vedic prediction: 20 years hence text books in Economics will talk about the 'Indian path' rather than the 'Brazilian path'.

(The author is Professor of Economics, SIS/JNU)

The Economic Times

17 MAY 2001

US President unveils sweeping plan for missile defence system, proposes to scale back nuclear arsenal

# Bush bombshell on Cold War pact

China warns of arms race

FROM DAVID E. SANGER AND STEVEN LEE MYERS

Washington, May 2: President Bush called yesterday for sweeping changes in security strategy, including a new relationship with Russia, that would build an expansive missile defence system and cut "to the lowest possible number" the nuclear arsenals that both sides assembled in the Cold War.

In a speech at the National Defence University addressing what he hopes to make a central accomplishment of his presidency, Bush stopped just short of saying the US would withdraw from the Anti-Ballistic Missile Treaty.

But he made clear that he intended to build a network of installations that would unquestionably violate a treaty that arms-control advocates argue has been the cornerstone of nuclear deterrence since Richard M. Nixon and Leonid Brezhnev signed it on May 26, 1972, in the Kremlin. That agreement bans the very systems that Bush alluded to yesterday.

At the Pentagon, officials have proposed moving ahead quickly with developing and deploying a limited system that would include interceptors launched from Alaska and from naval cruisers that could be moved into global hot

spots, as well as lasers mounted on Boeing 747 jumbo jets.

Although President Bill Clinton refused to approve deploying even a limited missile system last year because the Pentagon could not overcome significant technological hurdles, defence secretary Donald H. Rumsfeld said yesterday that the Bush administration was prepared to go ahead even if the technologies had not yet proven completely effective.

With accelerated financing and a speedy testing programme, military officials said, the first system could be in place by 2004, just as Bush nears the end of his current term.

Bush's strategy is virtually certain to encounter intense resistance in Congress, from some European and Asian allies and, especially, from China.

The President used his speech yesterday to reach out directly to Russia, and the Kremlin responded favourably to the pledge to engage Moscow in a new strategic dialogue.

"We are not and must not be strategic adversaries," Bush said. He urged Russia to "work together to replace this treaty with a new framework that reflects a clear and clean break from the past."

Aides said Bush used the word "framework" with care. Rather

President Vladimir Putin of Russia soon, probably on one or both of his trips to Europe, which are scheduled for late next month and late in July.

Bush's speech was striking for what it said and what it left unsaid.

This was not Ronald Reagan's Strategic Defence Initiative, or "Star Wars" plan. It did not promise an impenetrable shield. Instead, Bush talked about technologies that "could provide limited, but effective, defences."

Bush suggested making huge cuts in America's nuclear arsenal that would have been unthinkable in the 1960s, and perhaps unilaterally. ~~That repeated a pledge that he made in his campaign last year.~~

The arsenal today includes more than 7,000 strategic nuclear weapons, although it is supposed to drop to at least 3,500 under Start II, the 1993 strategic arms reduction treaty.

Although some advisers to Bush have suggested unilateral reductions to around 2,000 weapons, the President carefully avoided mentioning any numbers.

"Nuclear weapons will still have a vital role to play in our security and that of our allies," he said.

"We can and will change the

size, composition, the character of our nuclear forces in a way that reflects the reality that the Cold War is over."

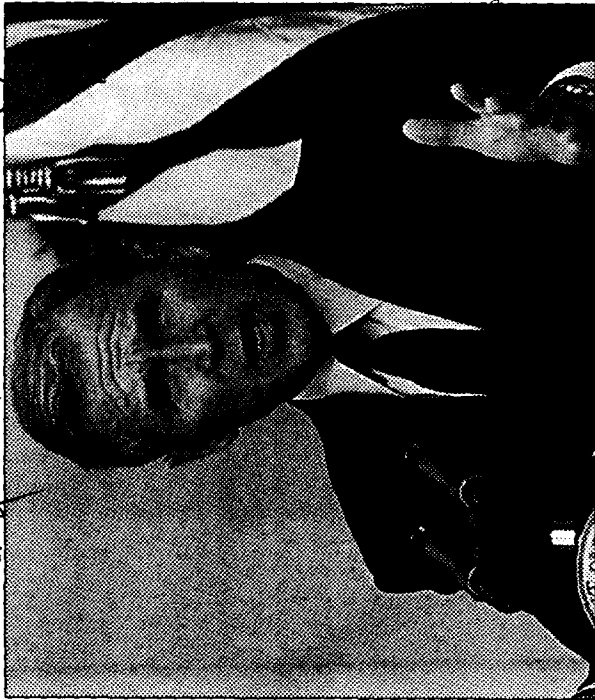
Bush also did not discuss the possible cost of his "layered" system of installations, which would build on existing technologies like Aegis ship-borne radar and missile-firing systems and also employ technologies yet to be tested like airborne or space-based lasers.

There is little question that the system that Bush envisions would cost far more than the \$60 billion that the Congressional Budget Office estimated for the limited ground-based system that Clinton pursued.

Although Bush discussed at length a new relationship with Moscow, he made just passing reference to China, saying he would "reach out" to the Chinese and send an envoy there to describe his plans. But he omitted any talk of remaking America's relations with China the way he spoke of remaking America's relations making them with Russia, and he made no offer of sharing the technology with Beijing.

That is bound to reinforce the fears of the Chinese leadership that Bush intends that his system help contain China's power and, perhaps, help protect Taiwan.

NEW YORK TIMES NEWS SERVICE



US President George W. Bush speaking at a National Defence University meeting in Washington. (Reuters)

than replacing or amending the treaty, they said, he envisions an understanding with Russia that would not require Senate approval.

"This new cooperative relationship should look to the future, not the past," he said in his 16-minute speech.

"It should be reassuring, rather than threatening. It should be premised on openness, mutual confidence and real opportunities for cooperation, including the area of missile defence."

Starting next week, Bush will send senior deputies to visit European and Asian allies, as well as to China, India and Russia.

Aides said he hoped to meet

London, May 2 (Reuters): China warned today of a possible arms race if the US goes ahead with its controversial missile defence plan but Russia said it was ready for talks on new defence ideas.

Beijing and Moscow were reacting to President George W. Bush's call yesterday for replacement of the 1972 Anti-Ballistic Missile treaty — a bedrock of US-Russian nuclear stability for three decades — to make way for the new plan.

Bush said the ABM treaty needed to be replaced to permit a missile system that would protect the US and its allies from attacks by what Washington calls rogue nations or accidental launches.

China's response came in a commentary by the official Xinhua news agency attacking the planned National Missile Defence (NMD) system.

"The US missile defence plan has violated the Anti-Ballistic Missile treaty, will destroy the balance of international security forces and could cause a new arms race," it said.

"Therefore, it has been widely condemned by the international community," it added.

## Northern discomfort

It is time the West realises the virtues of globalisation

**F**INANCE Minister Yashwant Sinha may be unpopular among swadeshites at home, but he is extremely popular abroad, especially among his two dozen counterparts from the developing world, attending the G-24 meet in Washington. Taking a principled stand in defence of free trade, Sinha has rightly accused the industrial nations of the First World, the original proponents of globalisation, of practicing, ironically, protectionism today. This has led to the inhibiting of exports and competitiveness, across the board, resulting in losses worth billions of dollars annually. Consider the basic facts: the industrialised North spends more than \$300 billion per year on agricultural subsidies alone when less than 10 per cent of its population depends on incomes from agriculture. This is roughly equivalent to the total GNP of sub-Saharan Africa. Additionally, the combined tariffs on meat, vegetables and fruits exceed 100 per cent. Remember, we are talking of primary products, traditionally supposed to be exports from the developing world.

Even a conservative estimate of costs in terms of foregone income to the poor developing countries from trade restrictions, on their exports, alone stands at over \$100 billion per year. Contrast this with the aggregate aid flow from the developed world to the developing world: only \$60 billion per year. In short, the new protectionism by the developed North costs the South almost double of what the latter receives as aid from the North. The unfairness of world trade is simply appalling and that too, paradoxically, in a globalised world where all of us are adherents to the World

Trade Organisation (WTO). No doubt, Sinha has demanded a new round of trade negotiations in the WTO. The world has, indeed, come a full circle. Barely a few years ago, the same developing countries were against another round of negotiations after the Uruguay Round. But having tasted the loaves of globalisation, they have turned aggressive liberalisers, whereas the developed countries are retreating behind higher and higher tariff barriers and all kinds of trade protectionist regimes.

Does the global reversal in trade liberalisation mean that one should choose free trade when one gains from it and junk it when it leads to losses? The developed North might be practising such opportunism but Sinha has certainly given proof that this is not true of India. Arguably, the lowering of trade barriers by the developed world under the WTO regime ends up benefiting a select group, the Least Developed Countries (LDCs), which does not include India. In fact, the LDCs have an enormous headstart when it comes to competing with India for duty-free access to the European markets. Yet, Sinha has offered a principled defence of the free trade principles irrespective of whether it benefits India or not. When questioned whether the threat from Chinese exports was overwhelming India, Sinha aptly retorted: If China's exports to India were up by 30 per cent, India's exports to China were up by 60 per cent. The belief in free trade, therefore, must come essentially from the belief that in the long run it benefits humanity.

INDIAN EXPRESS

- 3 MAY 2001

# CHAOS IN LONDON ON MAY DAY

**London, May 1:** Massed ranks of cyclists caused traffic chaos in central London on Tuesday as May Day anti-capitalist protests got under way amid fears that the demonstrations could turn violent.

The police has deployed in force to face an estimated 10,000 activists, vowing to prevent a re-run of the chaos that erupted in central London a year ago.

Blowing whistles and blaring horns, hundreds of cyclists blocked morning rush-hour traffic as they made their way slowly through the streets and stopped briefly outside the United States embassy to stage a noisy protest.

The protests are the latest in a series of demonstrations staged around the world

against economic globalisation, following violent street action against the World Trade Organisation meeting in Seattle in December, 1999, and at summits in Prague last year and Quebec City last month.

In London, all police leave was cancelled and more than 6,000 officers were on the streets, with mobile riot units in the wings and many more officers in reserve ready to snuff out protests that turn violent.

Smaller protests were witnessed in Glasgow, Birmingham, Swansea and Manchester.

Store-owners boarded up windows and the police planned a huge display of manpower hoping to head off trouble if an anticipated 10,000 protesters materialise to crowd the

streets in anti-capitalist May Day protests.

Authorities — nervously recalling some demonstrators' scuffles with the police last year — ordered the 6,000 officers on duty Tuesday to take a "zero tolerance" attitude to violence.

"Last year's May Day protests were wrong. There is a right way to protest in a democracy and there is a wrong way," Prime Minister Tony Blair said on Monday at the London Press Club.

"The limit of tolerance are past when protesters, in the name of some spurious cause, seek to inflict fear, terror, violence and criminal damage on our people and property," he said. "I want today to express our absolute and total backing for the police in dealing

with anyone who seeks to bring fear and violence to our streets."

Workers boarded up a statue of Sir Winston Churchill near the Houses of Parliament and several shop fronts.

The Churchill statue and the Cenotaph, a memorial to Britain's War dead, were among the targets at last year's protest, which caused half a million pounds worth of damage.

A group of protesters who broke off from a peaceful demonstration also tore down the Golden Arches of a McDonald's and threw stones and other objects near Mr Blair's official residence at Downing Street. However, no damage was reported from the Prime Minister's residence. (Reuters, AP)

## Street clashes mark May Day in Berlin

**Berlin, May 1:** The police turned water cannon on violent leftists in Berlin before dawn on Tuesday in a prelude to feared May Day mayhem that the police wanted to prevent with a massive street presence. With Berlin still in the process of reclaiming its role as the German capital, authorities this year banned the main anti-capitalist May 1 demonstration that regularly led to riots in past years. But fears are that the violence could actually be worse.

During the night, about 500 protesters in an eastern city district erected barricades, set fires and threw rocks and bottles at the police, who responded with water cannon. A police spokesman said: "30 to 40" demonstrators were arrested and several officers were injured."

About 1,500 mostly drunk pro-

testers set fire to a shed at another site after an outdoor street festival near the former site of the Berlin Wall. Firefighters put out the blaze under the police protection.

City officials are bent on ending Berlin's reputation for drawing what it calls "riot tourists," especially now that the German government has returned and the city is trying to make good on its long-frustrated ambitions to reach world-class status. Courts upheld a ban on the main far-Left march but refused to block a far-right party's demonstration also Tuesday that's likely to draw potentially violent counter-demonstrators. When the far-right national democratic party demonstrated last May Day in Berlin, about 500 skinhead youths turned out for an event that ran peacefully under the watch of hundreds of police officers. (AP)

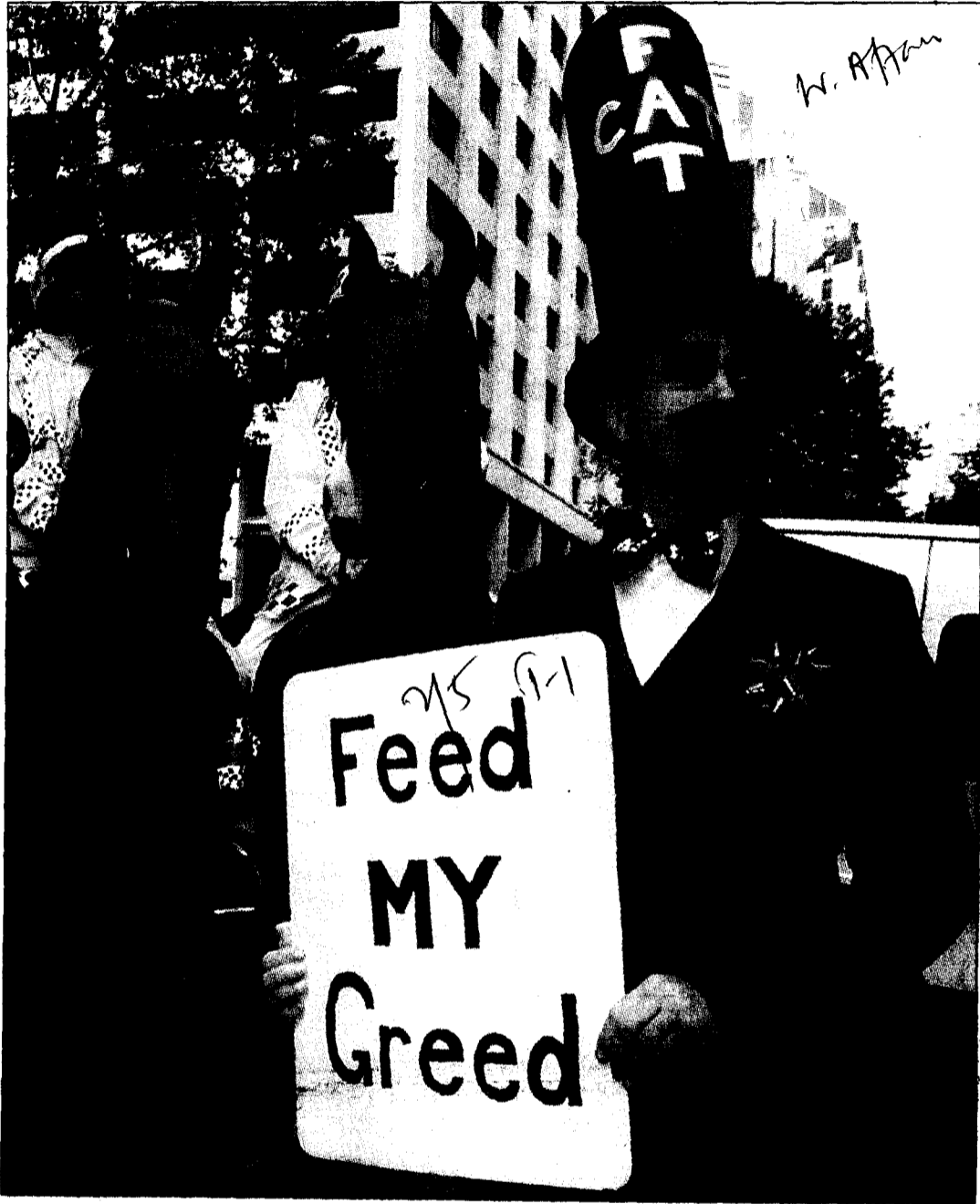


**LABOUR'S MAYHEM:** A police officer speaks to cyclists who stopped and staged a sit-down protest at Oxford Circus in central London on Tuesday during one of the May Day protests. (AP)

THE ASIAN AGE

- 2 MAY 2001

## MAY DAY MUSCLE VERSUS MONEY MANIA



Capitalism's satellite states erupted in street clashes as May Day set a sprawling, transnational stage for a show of strength against globalisation.

German police fired teargas and turned water cannon on Left activists in Berlin and Frankfurt, police arrested 40 people in Switzerland's financial capital of Zurich and thousands of demonstrators paralysed London's main shopping area on Oxford Street in a day-long confrontation.

By nightfall, about 5,000 protesters, including several hundred self-proclaimed anarchists, were trapped by police in London's Oxford Circus.

The protests began first in Australia where demonstrators tried to shut down Sydney and

Melbourne's stock exchanges. Projecting the stock market as a symbol of greed, a protester dressed as a 'Fat Cat' stood in front of mounted police during a demonstration outside the stock exchange in Sydney (Reuters picture above).

The protests against economic globalisation follow violent street action against the World Trade Organisation meeting in Seattle in 1999, and at summits in Prague last year and Quebec City last month.

Protesters complain that multinational corporations wield too much power over people's lives, even to the point of coercing democratically elected governments.

THE TELEGRAPH

2 MAY 2001



# Round the globe, violence and arrests mark May Day

## Pak security siege blocks processions

Karachi, May 1

CENTRAL KARACHI resembled a city under siege on Tuesday as thousands of Pakistani police and paramilitary forces were deployed to prevent a banned pro-democracy rally.

By early afternoon, around 50 people were arrested after groups of political activists appeared near Empress Market chanting slogans.

"About 50 police rushed at them and they were all taken away," one witness said of the first group of 10 arrests. He said about 200 police armed with guns, teargas and batons had earlier forced shopkeepers and market stallholders to close their businesses.

The 16-party Alliance for the Restoration of Democracy, the target of mass arrests since last week, has vowed to defy a ban imposed by military ruler General Musharraf and rally to demand the Army stand down and restore civilian rule.

"It is undeclared curfew today in Karachi with police harassment in public places," Munawar Hussain Suhrawardy, Sindh province information secretary for the Pakistan Peoples' Party said.

Karachi's normally bustling streets were quieter than usual, in part due to the May Day public holiday but mainly because large areas were barricaded. A dusty Nishtar Park, the original rally venue, was sealed off with water tankers and buses blocking surrounding streets and hundreds of police standing ready.

Convoys of police trucks patrolled nearby, while in other parts of the city groups of armed security personnel were stationed at street corners and police mounted on horseback plodded down main thoroughfares.

Musharraf, who ousted former



A woman police officer arrests pro-democracy activists staging an anti-Government demonstration in Karachi on Tuesday.

premier Nawaz Sharif in an October 1999 bloodless coup, on Monday told politicians to stay at home.

"Once we have said there will be no political activity, there will be no political activity," he told a convention in Islamabad.

The ARD, which includes arch rivals the Pakistan Muslim Party of the exiled Sharif and the PPP, says more than 2,000 of its workers and leaders have been detained illegally since last Thursday.

Ejaz Shaffi, a senior ARD official and a member of the suspended National Assembly, said the PML had decided to change the venue and attempt to rally at Empress Market.

"Twenty-five thousand security personnel have been deployed. We have changed the venue and blocked a rally in Lahore.

Reuters

## Firmly in saddle, General dismisses Opposition front

Islamabad, May 1

PAKISTAN'S MILITARY Government shows no lessening of its dislike for the politicians who ruled the country in the past, reinforcing suspicions that the army could fill the political vacuum far into the future.

Authorities clamped down on demonstrators on May 1, the first small group of challengers to General Pervez Musharraf's ban on May day public demonstration. The move is seen as another show of absolute control over the country by the army.

"At least the overt presence of the military will exit as planned. There is talk of a National Security Council, so one doesn't know the final political arrangement," said Mazari. "I think definitely there is a move toward institutionalising the role of the army, especially on security-related issues."

Musharraf's alternative to Pakistan's current politicians is the creation of a new civilian leadership through a process of non-party local elections that has already begun.

The difficulty in orchestrating such a change - least of all in 18 months - is demonstrated by the way newspapers in Pakistan are able to track the success of candidates fronting for existing parties in local elections.

Musharraf sees the new leadership taking the place of the old politicians and dismisses the thought that the ARD, its members united mainly by a desire for return to the previous political landscape, could pose any threat.

"I don't know how they are going to have this shift, this final handing-over of power, and how this would also have a provision where the chief executive (Mu-

Reuters



Anti-capitalist demonstrators and cyclists block traffic in London's Oxford Circus on Tuesday.

## Rallies & hoses world over

London, May 1

GERMAN POLICE used water cannon in running street battles with leftists on Tuesday, activists targeted Australia's stock exchanges and May Day in Britain was marked by massed ranks of cyclists who brought chaos to traffic.

In Taiwan, thousands of unemployed workers and union activists marched through Taipei demanding jobs and the resignation of Government officials.

In Russia's Siberia and Far East territories, demonstrators turned out in thousands to demand better wages and price controls.

The protests were the latest in a series staged around the world against economic globalisation, following violent street action against the World Trade Organisation meeting in Seattle in December, 1999, and at summits in Prague last year and Quebec City last month.

Reuters



A member of the hardline National Bolshevik Party at a pro-communist demonstration in Moscow on Tuesday.

Berlin police turned water cannon on thousands of protesters after being pelted by bottles and stones in the city's now ritual annual May Day street battles.

Over 6,000 leftists and anarchists built barricades overnight in the eastern Berlin suburbs, setting some alight. A record 9,000 policemen were deployed and several protesters were arrested.

In Russia, over 50,000 people took part in May Day rallies in towns and cities across Siberia and the Far East.

They demanded higher wages, better working conditions, improved pensions, price controls and abolition of a single social tax introduced at the beginning of the year.

In Britain, police deployed in force across Britain to face an estimated 10,000 activists, vowing to prevent a re-run of the violence that erupted in central London a year ago.

# Free trade is good for Third World workers

LAST week, the US lost yet another textiles trade battle at the World Trade Organisation. This is its third major defeat in textile trade wars since 1996. In all the three legal battles, the triumphant parties were textiles and yarn producers from the Third World.

The US textiles policy imposes quotas on textiles imports from other countries. In 1996, the WTO ruled against US quotas limiting imports of Costa Rican panties. In 1997, the trade organisation gave its verdict against US quotas on woollen shirts from India. Last week, it was the turn of Pakistani yarn manufacturers to win a trade battle they have been fighting for the last two years with the US officials for imposing a ceiling on yarn imports from Pakistan.

If woollen shirt manufacturers from Ludhiana, undergarment producers from Costa Rica and Pakistani yarn makers had challenged the US textiles trade policy on their own (bilaterally) without going to WTO, there is little possibility that they would have emerged victorious. Superpowers have super powers. India, Pakistan and Costa Rica are one of the hundreds of small trade partners the US has around the globe.

The US is India's biggest trade partner. It is one of the largest trade partners, if not the largest, for the other two countries too. In any bilateral negotiation between the US and any of the above three countries, this fact will not go unnoticed.

As the WTO antagonists say the US can bully other countries when it comes to trade negotiations. But not at the WTO. Armed with a WTO, Third World manufacturers can even take on the

superpower, and as the above three cases prove, can even defeat it.

If the textiles manufacturers had lost their cases, not only would they have lost a big chunk of their businesses, thousands of jobs would have also vanished. Poor workers from the Third World would have lost their only means of livelihood. In some cases, antitrade policies may have driven their children out of school to factories to earn a living at a tender age.

If parents do not have jobs or

## ECOSCOPE NEERAJ KAUSHAL

enough money to send their children to school, they send their children to work. Free trade does not encourage child labour, anti-trade policies can, in some cases, result in child labour.

The genesis of child labour is in Third World poverty. Not so much in Third World work culture. It is a complicated issue, and I am not attempting to argue that free trade alone can resolve the problems of child labour. But to argue, as most human rights organisations do, that closing down the shutters of the WTO or blocking trade will end child labour in developing countries is utter nonsense. Third World poverty and child labour will increase in the absence of free trade. It can take goods made by child labour out of the sight of the human rights organisations located in the west. Soon issues relating to child labour will be out of the western mind.

It can probably make some western consumers feel good that they are not consuming cheap

goods manufactured by child labour in the Third World. Some may consider it a worthy cause.

There is a separate issue that workers' organisations in the west rail against the WTO. Labour unions in the US argue that free trade takes jobs away from US workers to workers in the Third World. If they are right, workers' unions in developing countries should favour free trade. Since workers union in India do not approve of free trade, it appears to me that these unions do not want Indian workers to prosper. In which case, they actually support extortionist capitalists. Or, unions in the Third World think they have a firmer allegiance to western trade unions than to the workers they actually represent. If that is so, I think it is time for the workers of the world unite and ban the trade unions that are anti-trade.

There could be another reason why trade unions in the Third World do not favour free trade: they represent the interests of a small group of people who are members of the unions. A mere one tenth of all workers in India are covered by unions. If free trade does not help these workers, unions will not support free trade.

That free trade and free movement of capital brings jobs to millions of other workers is not reason enough for trade unions to support free trade. Ironically, by opposing the WTO and free trade, trade unions in the Third World support the rich in industrialised countries and hurt the workers in the unorganised sector. Some may call that fair, after all, unions are paid to represent workers in the organised sector, and not all the workers. What is unfair is that they pretend otherwise.

*The Economic Times*

1 MAY 2000

# Distrust of corporate agenda

The many opponents to a Free Trade Area of the Americas see it as a device for overriding democratic processes, a mechanism to maximise corporate profit at the cost of the environment, workers and families. Surprisingly, a large number of American youth are opposed to this initiative to open the globe to international investment, writes HUCK GUTMAN

**E**CONOMIC matters are predominant in America at present. From the confrontation with China to the national budget, from negotiating the Free Trade Agreement of the Americas to the gyrations of the stock market, economic considerations are shaping the news.

What have economic matters to do with the recent verbal altercation between the USA – which, spying on China, was forced to land a damaged airplane at a Chinese airport – and China – which, caught in the grip of domestic politics, demanded and received an apology of sorts from the world's sole super power?

In the eyes of most Americans, ordinary citizens and politicians, economics had everything to do with the unexpected resolution to that tense situation. George W Bush is a staunch anti-Communist, a Texan who likes to walk tall and never back down; more importantly, his core electoral constituency is the anti-Communist, pro-military hard Right wing.

Why, then, did he compromise with China instead of refusing to flinch, why did he offer a carefully worded apology rather than draw a line in the sand?

And, similarly, why did the American press refrain from trumpeting "America held hostage" and demanding, as with first Iran and later Iraq, immediate action?

The answer, of course, is economics. US-based multinational corporations have billions of dollars invested in China, investments which would be at risk if a split between the two nations deepened.

The USA is dependent on China for low-priced goods to keep inflation in check: its trade imbalance with China is \$87 billion a year, which represents a huge amount of cheap shoes, toys, small electric appliances, pots, and who knows what else.

Most important, the capitalist world regards China as a freshly baked cake ready to be sliced and divided up: a huge consumer market just waiting to be sold products provided by Western corporations. A hostile relationship between the two governments would imperil the American corporations rushing into China to claim their large slices of that sweet confection, the billion-person market.

So, economics trumped militarism, anti-Communism, personality: The USA said it regretted the unfortunate aviation incident.

In the budget President Bush presented to the Congress for the coming fiscal year, he proposes, in simple terms, to further enrich the wealthy, spend heavily on the military-industrial complex and pay for these two initiatives by slashing spending on social programmes.

It is, of course, a budget hospitable to corporations and to the rich people who own and manage them. Mr Bush will provide more money for defence and less for environmental protections; his budget will offset huge tax breaks for the wealthy with large cuts in programmes for children, health care for the poor, police presence in community neighbourhoods; his agenda reduces the estate tax while making sizeable reductions in transportation and agriculture programmes.

The majority of Americans are not enamoured with his proposals. The stock market reflects the nation's economic discontent.

The economy is slowing. There is already mention of the dreaded term, "recession". The stock market gyrates as speculators move first one way and then another – though always, these days, the market ultimately moves downwards.

The "new information economy" is in a shambles, with the dot coms a disaster and even the seemingly solid chip-makers and hardware producers announcing slowing sales and lower profits.

Perhaps, the most important news of all concerns the conference recently held in Quebec to hammer out a Free Trade Area of the Americas. All nations in the Western hemisphere, with the notable exception of Cuba, were party to negotiations to implement a hemispheric free trade agreement, aiming to eliminate all barriers to international trade and thus unite North and South America in one large economic community.

Its many opponents see the FTAA as a device for overriding democratic processes, a mechanism to maximise corporate profit at the cost of the environment, workers, and families.

The move toward this hemispheric free-trade agreement is not surprising, since making the world safe for multinational investment is the



Protesters marching in downtown Winnipeg, Manitoba, Canada, last Saturday in solidarity with the Summit of the Americas protesters in Quebec City. Thirty-four heads of state from the Western Hemisphere met to discuss ways to work towards establishing the world's largest free trade zone. – AP/PTI

major aim of many a government, including the American one.

What is surprising, however, is the breadth and depth, especially among young people, of the opposition to this initiative to open the globe to international investment.

The Opposition emphasises that free trade agreements nourish the "race to the bottom" in wages, for, it enables corporations to locate production wherever wages are lowest, and use those starvation wages to hammer workers elsewhere into submission to similar pay.

Opponents believe the treaty will allow corporations to evade environmental controls by claiming those controls to be "restraint of trade". The claim is that democratically enacted legislation protecting workers, farmers and the local economy can be avoided easily and unilaterally by claiming these laws to be treaty violations.

Making these and similar arguments ever since the World Trade Organization protests in Seattle, an increasingly large number of protesters emerged to thwart the free trade agenda of the multinational corporations.

Burlington, Vermont, where I live, is the American city closest to Quebec, where the FTAA talks were held. Local officials were so concerned about the possibilities of protest that the state university sent a warning letter – saying trouble may lie ahead – to all students and faculty. A similar letter was sent to the Parent of every child in the public schools.

Both elected officials and the multinational corporations have reason to be concerned.

Americans are indeed wary of large corporations. Last Fall, the respected publication *Business Week* reported polling results which show "that nearly three-quarters of Americans think business has gained too much power over too many aspects of their lives."

Nowhere is there more distrust of the corporate agenda clear than among young Americans, who have become more politically active than at any

time in the past 25 years. I spoke recently to Ashley Smith, a socialist organiser who works daily with young Americans.

When I asked what was driving the large protest movement against the FTAA, he told me, "In America, we are going through the most significant radicalisation since the 1960's."

I pressed Mr Smith on the specific contours of this radicalisation. "It is different from the 1960's," he responded.

"The failures of the international system and international markets bring up the kind of questions raised in the depression years of the 1930's. More and more people are realising that class inequalities on the global scale have reached astronomical proportions."

Mr Smith explained that the strong opposition to the FTAA was in part based on the sense that economic injustice was endemic and overwhelming: "More and more people understand how messed up a system must be for the top 225 billionaires to have the same income as forty per cent of the world's population."

The Western hemispheric Economic Summit in Quebec that took place recently was a clear lens through which one could view the economic forces which united seemingly disparate news items: the US-Chinese conciliation, the Bush pro-corporate budget, the speculative activity in the stock market and treaties to encourage international trade.

Whether the end result of the Quebec conference will be the consolidation of economic power that the negotiators at the table hope for, or the emergence of a mass resistance to such consolidation, is yet to be determined.

*(Huck Gutman is Professor of English at the University of Vermont. He was until recently a Fulbright scholar at the Calcutta University and Jadavpore University. He is the author, with US Representative Bernie Sanders, of Outsider in the House.)*

# Drop protectionist steps, G-24 tells West

By Sridhar Krishnaswami (1) 13  
WASHINGTON, APRIL 29. Welcoming the role of the World Bank's increasing support for developing countries efforts to leverage trade and investment for faster economic growth and poverty reduction, the Ministers of the Group of 24 have called on advanced nations to get rid of their protectionist measures such as anti-dumping and countervailing duties.

The G-24, representing developing countries, also called for an end to the subsidies in the developed world as also to slow down the implementation of trade liberalisation agreements especially with respect to agriculture, which imposed a prohibitive cost on the developing nations.

A communique issued at the end of the meeting on Saturday said industrial economies spend over \$300 billions on agricultural subsidies, about the total GNP of sub-Saharan Africa. These had a debilitating effect on developing country exports — the estimate of foregone income being in the neighbourhood of \$100 billion.

## Uneven aid flow

The Ministers noted that the aggregate aid flow to the developing nations was about \$60 billions a year; and that the foreign direct investment remained concentrated in the hands of a few countries and that many in the developing world were yet to get investments at the level necessary to spur development.

23/7  
Talking to reporters, the G-24 chairman and Governor of the Central Bank of Nigeria, Mr. Joseph Sanusi, said the progress made in strengthening the international finance system by way of international codes, standards and practices that were applicable to both the developed and the developing world, was noted.

He said the observance of these codes and standards "remains voluntary, duly recognising the country specific circumstances and the stage of development, including administrative and financial constraints." Welcoming the review on the scope of conditionality, the Ministers said the objective should not be to weaken but to streamline and make it better focussed, more effective and less intrusive.

On the issue of negotiations on the International Development Association reserves, the Ministers urged donors to make sure the IDA-13 was adequately funded to meet the increasing needs of the poorest countries. Africa needed special priority and lending to the region must meet the 50 per cent target agreed upon under previous replenishment, they said.

## G-7 optimistic

Meanwhile, brushing aside concerns of the International Monetary Fund and other delegates from the developing world on the implications of the economic slowdown in major economies, the representatives of the Group

of Seven industrial nations said the fundamentals were essentially sound.

"The world prospects are good, going forward," said the U.S. Treasury Secretary, Mr. Paul O'Neill, stressing that he had a sense of "real optimism" after a meeting with his colleagues from Europe, Japan and Canada. Much of the optimism stems from a perception that the U.S. economy has already begun to recover. Japan taking measures to lift its economy and the conditions looking favourable in Europe.

A U.S. Commerce Department report had said the economy grew at a 2 per cent annual rate in the first quarter of this year. According to the Chancellor of the Exchequer of Britain, "while we are vigilant and aware of the risks, we are cautiously optimistic." The U.S. and Europe are keeping a close watch on what the new government in Japan is going to do.

One assessment is that the first statements from Tokyo are in the right direction, but that the measures put in place may first slow the Japanese economy even more before it comes out and starts impacting positively on the global economy.

The formal Spring meetings of the World Bank and the IMF began way here today. Unlike last year when the city was witness to large demonstrations, it is very quiet this time with only a handful of protesters. But the authorities are taking no chances and have cordoned off a few areas around the venue.

# Quebec police quell riots, brace for more

27/11  
Canada  
H/T-11

Quebec City, April 21

ONE DAY after violent clashes between police and rock-throwing anti-globalisation protesters, the loudest noise on the streets of Quebec City early on Saturday was that of birdsong.

Police teams slowly cleared up chunks of broken concrete from a section of a 10-ft chain link security fence which demonstrators breached on Friday as they tried to disrupt a three-day summit of 34 leaders from the Americas.

A few curious protesters wandered up to the fence on the wide, central Boulevard Rene-Levesque, part of which had been hurriedly replaced by a suspiciously flimsy-looking wire gate without a concrete mooring.

"What the police did yesterday was pure intimidation. I expect they wanted a chance to put into practice all the crowd control lessons they've been learning," said Patrick, a scruffy young man from Montreal sporting a Che Guevara T-shirt.

"I don't personally favour confrontation but you can understand there's a limit to the amount of frustration people can tolerate," he added, looking at squads of black-clad riot police waiting by the side of the road.

Police fired tear gas canisters to quell the protests and there was still enough lingering in the calm morning air to make a visitor sneeze. A second round of protests is scheduled for Saturday.

But despite the violent scenes on Friday, there was virtually no damage to be seen in the historic centre of Quebec, where windows and doors remained intact.

"It's all very quiet and long may it stay that way," said a smiling policewoman.

In Rue St Jean, where an access point in the perimeter fence was closed by police on Friday, a group of some 50 activists held hands and chanted "We shall overcome," a protest song dating back to the era of the Vietnam War.

Not far away a group of a dozen riot police stood ready for action in two menacing lines, truncheons clasped at their hips. More police waited in the sunshine a few yards further away, riot shields and helmets stacked untidily against Quebec City's stone wall.

The Cuban President Fidel Castro expressed support on Friday for the protesters outside the summit of the Americas in Que-



George W Bush steals a nap during speeches for the opening ceremony of the summit at Quebec on Friday.

bec city, and called the police action to stop them shameful.

"In the name of the people of Cuba, I would like to express our sympathy and admiration," said Castro's message, read on state TV on Friday. "Cuba supports you, embraces you, salutes you."

Cuba was the only country in the Western hemisphere that was not invited to the summit.

Reuters

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# Uncertain times

By C. Rammanohar Reddy

*If the U.S. economy is in for an extended slowdown and the E.U. and Japan are unwilling or unable to assume global economic leadership, the rest of the world, including India, is going to experience slow growth.*

THE FINANCE Ministers of the world are meeting in Washington this week in vastly different circumstances from just six months ago when the International Monetary Fund and the World Bank held their 2000 annual meetings in Prague. At that time the world economy, driven by the U.S., seemed to be coasting along with few problems in sight. The only blips were the rise in petroleum prices and the weakness of the Euro.

The backdrop now for the half-yearly Spring Meetings of the IMF and the World Bank is the threat of a global recession. The so-called "new economy" is in tatters, global technology stocks have gone through the floor, investment in the U.S. has plummeted and consumer confidence in the world's richest economy is falling. Going by its own definition — a decline in GDP over two quarters — the U.S. has not yet entered a recession. But there is no mistaking the clouds overhead. The IMF's World Economic Outlook has slashed its growth projections for the U.S. economy — last September the forecast was that growth in 2001 would be 3.2 per cent, now the estimate for the year is just 1.7 per cent. It has also lowered its growth projections for all large economies — the European Union, Japan, the south-east Asian economies, China and even India — with the larger cuts reserved for the bigger economies. (India and China are the only major economies expected to grow at 5 per cent or more, but the IMF has chopped off 0.9 percentage points from its previous forecast of a 6.5 per cent growth of the Indian economy in 2001.)

The IMF's forecasts have been off the mark quite often. But there is a consensus in the international markets and in the corridors of the world's central banks and Governments that the global slowdown which for years has been anticipated (and feared) has arrived and has taken root far more quickly than expected. The question now is of how deep this global slowdown will be and how long it will last. Considering that this will be the first downturn after a decade during which almost all developing economies were engaged in "globalisation" to some degree

or the other, the ripple effects of the turn in fortunes in the U.S. will be felt far and wide.

The optimists, who include the IMF, see this as a shallow slowdown that will reverse itself by the end of this year. The optimism is based on essentially two factors — low interest rates and low inflation. The WEO of the IMF, for instance, sees the recent large cuts in interest rates in the U.S. as boosting economic activity in that country. The interest rate

## MACROSCOPE

weapon can be used more effectively, so the argument goes, because inflation continues to be so low. This is why the WEO forecasts U.S. growth in 2002 bouncing back to 2.5 per cent and with that the world economy to a 3.9 per cent growth. However, there is another perspective which is not so sanguine about a quick U.S. recovery. The Trade Development Report 2001 of the United Nations Conference on Trade and Development, which was put out earlier this week, makes a convincing argument for why the current U.S. slowdown may be deeper and more long lasting than the optimists would like to admit.

The extremely rapid growth of investment in the U.S. in the second half of the 1990s, which drove economic growth, was based on optimistic expectations of a wide range of information technology and non-IT enterprises. With stock markets sharing in the enthusiasm, many of these companies could bank on inexpensive finance from either the market or venture capitalists. That situation has now changed and companies are either laying off a large number of employees or shutting down altogether. More importantly, the bankruptcies in this slowdown could be more wide-ranging than in previous recessions, the TDR argues, because many of the new ventures in the U.S. were simply not viable business units

— they came into existence and stayed afloat for a while because of the cash and credit that was available in plenty in the prevailing mood of excessive optimism. The UNCTAD report suggests that it is the uniqueness of the "excess capacity" that now prevails in the U.S. economy which makes it less likely that a lowering of interest rates will have the same positive effect that it did in the past when the problem was excess capacity in, say, the automobile and steel industries. If that

is bad enough, there is the situation confronting U.S. households. Personal savings are now negative, meaning households have been borrowing just to meet current expenditure. Household debt is now on the average 110 per cent of annual income. All this did not matter at a time when there was so much optimism all around — credit was easily available and families could keep borrowing to indulge in higher and higher consumption. The rise in share prices also gave them the illusion of being far more wealthy than they actually were. But with share prices falling that wealth is rapidly evaporating, so consumer spending is likely to fall. And families are likely to cut back on expenditure for yet another reason. As they see the economy slowing down and their friends losing jobs they will try to begin saving once again, to prepare for a possible worsening of their own condition. The spectre then is of an extended and severe slowdown which if it happens will drag down the global economy with it.

The unique problems afflicting the U.S. now would not have mattered for the world economy if one of the other two economic powerhouses — Japan and the European Union — could take up the slack. After years of a lacklustre performance Japan did show signs of economic recovery last year, but the recovery is so

fragile and the Japanese economy still beset with so many problems that it is almost impossible that it can don the mantle of a saviour. That leaves the E.U., on which the TDR places hopes for leading the world out from the present downturn. The E.U. registered an impressive rate of growth in 2000, breaking through the 3 per cent growth ceiling for the first time in years. But much as the rest of the world hopes that it will pursue expansionary policies, the E.U. seems extremely reluctant to do so right away presumably because the fears of a resurgence in inflation are much stronger there than in the U.S. The Spring Meetings of the IMF and World Bank will witness renewed calls for the E.U. to cut interest rates but for now the E.U. does not seem to be listening.

If the U.S. economy is going to pay for the excesses of the late 1990s with an extended downturn and the E.U. and Japan are either unwilling or unable to assume global economic leadership, the rest of the world, including India, is going to experience slow growth. A large domestic economy is not going to help India (as also China) completely escape feeling the pinch. A decade of even a hesitant engagement with globalisation is enough to leave the economy vulnerable to a global slowdown. Export growth could falter, the boom in software exports could peter out, remittances could slow down and foreign institutional investors could begin to retreat into their home economies. It is not just the balance of payments that could experience difficulties — even if those difficulties seem far away with the cushion of over \$ 35 billion of foreign exchange. An outward orientation works wonders for the domestic economy when the world economy is booming, but the pain can be severe when things take a turn for the worse. India is still not fully integrated into the world economy, so to that extent it will escape from the extremes of a global slowdown or if it comes to that even a world economic recession. But it does mean that at best we will have to make do with GDP growth of around 5 per cent in the next year or two. There is little likelihood of a 9 per cent, or for that matter even a 7 per cent rate of growth.

THE HINDU

28 APR 2001



WHEN the super tech American surveillance aircraft EP-3E Aries 11 force-landed on China's Hainan Island over a fortnight ago, anyone could see the situation cooking nicely for another diplomatic *tamasha* of considerable proportions. Take away the death of the Chinese pilot, and the remainder of the scenario, with the released 24-member crew included, had all the stuffing of a Saturday night comic soap opera.

The battle was for the prize of being acknowledged the victim. So we saw the Chinese government demanding an apology to certify that status. President George W Bush and his weary state department officials had no choice but to blink and say they "regretted" the incident. Not enough, screeched the Chinese, no doubt thoroughly enjoying themselves and guffawing privately over chopsticks. Anything to make the Americans squirm, for all that baloney about human rights, Tiananmen Square and Falung Gong crackdown. With first the Belgrade bombing of their embassy, then this gift from the sky, the Chinese PR department must be wondering if some senior God has a Beijing branch office. So, the Americans next said "sorry".

But they clarified that wasn't an apology. They were sorry for the Chinese pilot's death, they said, but it wasn't a sorry as in an apology. The sorry was senior to a "regret" but junior to an apology. And the Chinese, like all good artists, knew when the joke couldn't be

stretched further, and decided to be generous. The crew, reportedly looking well-fed after 11 days of Chinese cooking, were allowed to take off on a chartered flight. But more entertainment is promised for the neutral with the \$100 million spy plane they had to leave behind.

Demanding apologies seems the popular flavour of contemporary diplomacy. The Koreans want the Japanese to say "sorry" for World War II atrocities, the Bangladeshis want Pervez Musharraf to apologise for 1971, the Germans probably have a major governmental department to handle demands for "sorry".

The Israelis had to say "sorry" when Canadian government caught Mossad agents using Canadian passports in 1997. That was in spite of then Israeli foreign minister, David Levy, promising his Canadian counterpart that Israeli agents wouldn't anymore use Canadian passports for indulging in pastimes like bumping off suspected Palestinian agents.

Queen Elizabeth II is a leading apology expert, too. The British monarchy and government have been busy apologising for past mischief, like in Australia for the treatment of the Aborigines, in Britain for the crippling

# The sorry factor

**'Apology' politics is increasingly conquering international snafus, like the recent China-US spy plane stand-off, writes RAJA M**

I.K. Gujral, Prime Minister those days, didn't want to be left out of the hay-making. He demanded the Queen return the Kohinoor diamond, part of the international loot and booty called the British Crown jewels. Mr Gujral didn't even get an apology, forget the diamond.

It's a cathartic trend in international relations, healing current and past injuries that are real, perceived or propaganda gimmick.

Demanding an apology is better than demanding a severed head or exchanging threats.

It doesn't matter even with entry of absurd elements like desperate demands for a "sorry", like the latest US-Chinese stand-off.

"Sorry" is a beautiful bridge-building word, when meant sincerely. It means the ego being demolished enough to acknowledge a mistake. It's balm for both the victim and victimiser.

It applies more to individuals, than governments. Sometimes we forget the fact that governments are only faceless entities filled with individual human faces, with all the attendant emotional Achilles' heel, frail egos prone to frequent bruising, insecurity and stubborn desire to have the last word.

The "sorry" factor particularly helps their brutalised by war that's not their making. Vietnam war anniversaries have consistently produced reconciliation between Americans and the Vietnamese.

That means not just individual healing of emotional scars, but generations and nations finally being able to put the past behind, shake hands, and move on with life.

I'm a die-hard optimist about our species. Humanity is evolving gradually on the maturity scale. Whether as governments or individuals, it helps remembering there aren't good people or bad people in this world, only people who sometimes do good and bad things.

We can be sure of more apology demands in the near future from governments wanting the past or present injuries redressed. Good.

The "sorry" buries the hatchet, becomes a healing Band-Aid, instead of nations and individuals wallowing deep in anger on one side and remorse or denial on the other.

Besides, the best part of a heartfelt "sorry" is it frees the apology maker. Accepting or rejecting the apology then becomes the problem of the injured or insulted.

They have the choice of either using the "sorry" extinguisher to put out the fire, or have it burn their bellies for the rest of their existence.

After all, the first victim of fire is the container.

(The author is a freelance writer.)

19 APR 2001

# Globalisation, the Left and Marx

By V. Krishna Ananth

**A**LMOST A decade after the representatives of India's ruling groups decided to give up their pretensions to the socialistic pattern of planning and economic development, there seems to be a feeling now that the reforms process initiated in July 1991 are now irreversible. And the articulate among the middle classes, whose very emergence was facilitated by the Nehruvian socialist model of development, are in the midst of celebrating this change.

The intelligentsia is happy since the new policy has enabled the nation to "catch up" with the globalisation process. The feel-good factor is not just imaginary. The middle classes can now go shopping to the supermarkets to pick up a whole range of needs — from common salt to shaving kits — manufactured abroad. In such a climate, it is only natural that anyone who squirms at such indiscriminate opening up of the market (the Left for instance) is accused of acting against the nation's interest.

While there is nothing new about this there has been an attempt (Gail Omvedt, *The Hindu*, March 1 and 2, 2001) to argue that to oppose the globalisation process is not just un-Marxist but anti-Marx too. And by way of substantiating her arguments, Omvedt cites passages (stripped out of context) to make out a case that the Left in India ought to appreciate the globalisation agenda if it has to be acknowledged as Marxist.

Indeed, there is a problem with the manner in which the Left parties have been articulating their opposition to the reforms. The Left has failed to explain in a convincing fashion that its opposition to the new economic policy (globalisation) is not the same thing as holding a brief for the license-permit raj that prevailed in the earlier times.

The striking feature of the Left's opposition to reforms has been the measure of success on the trade union front. Nowhere

in the world have the unions been able to prevent closure of a large industrial undertaking, particularly if it is state-owned, in the context of globalisation. The unions in India alone can boast of having prevented indiscriminate closure of industries and consequent retrenchment of labour.

It is another matter that the unions could succeed in only the public sectors

nist Manifesto for that matter) is the paragraph preceding the one that Omvedt has quoted so liberally. And it reads as: "The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere."

Marx certainly does not celebrate the global march of capitalism. Instead, he

***Marx drives hard the truth that capitalism, after having served as the basis for the formation of the nation states, is driven by its own inherent logic to break that very concept — the nation states; and in the same context, Marx adds: "It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce, what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image."***

and the "unorganised" lot of the work-force is being left to fend for itself and is getting thrown out of jobs with not even the faintest of protests from the organised unions. But it cannot be said that the Left's opposition to the liberalisation agenda "is simply a way of maintaining and arousing its traditional trade union base."

There is a factual error here. The Left is not the biggest player in the trade union constituency; if the Congress party's INTUC was the largest for years since independence, the latest verification showed the BMS (controlled by Dattopant Thengdi of the RSS) as having the largest number of members among the unions. This, however, is by the way of clarification. There are more substantive inconsistencies in the way Omvedt has read Marx and understood the Marxist method.

For instance, when Marx refers to the cosmopolitan character of production and consumption in every country and how this process, in turn, smashes into smithereens the trade barriers that nation states erect, it is certainly not "a paeon to the forces of globalisation". Instead, the thrust of this statement (and the Commu-

intellectual history of that epoch; that consequently, the whole history of mankind has been a history of class struggles, contests between exploiting and the exploited, ruling and oppressed classes..."

Karl Marx's writings (the manifesto was written in 1848) will have to be read in this context rather than in the manner in which Omvedt had chosen to do.

It is one thing to reject the premise that the history of an epoch is made out of the struggles between the oppressors and the oppressed and that in a capitalist epoch the contradictions are between those owning the means of production and the working class. And it is alright to celebrate globalisation from a capitalist's standpoint despite the fact that in this phase the bourgeoisie begins to negate some of its own creations — the idea of a nation state is negated by that of transnational movement of capital, the slogan of free trade and competition giving way to monopoly capital — and hold a brief to this process. But then, to invoke Marx to rationalise this process is certainly unfair to not just Marx but also to those economic theorists wedded to the idea of capitalism.

And as for the Left parties in India, it may be true that they have not been able to succeed to the extent they may have wanted in halting the "integration" of the Indian market to the global. But then, as it was the case with capitalism in Marx's own times, globalisation too is a process that cannot be wished away by the communists just because they feel it harms the interests of the workers. Instead, they will have to organise the resistance from out of the concrete reality of the time. It is true that the Left in India cannot wish away capitalism (whether national or global). The resistance will have to emerge out of the given reality and in this sense, there is nothing un-Marxist about the Left doing what it is now doing even if it is to "simply" maintain and arouse its traditional trade union base.

# NATION STATES

## Globalisation Is Eroding The Concept

By GURMEET KANWAL

THE cohesive nature and autonomy of the nation-state is being progressively eroded by the changes in the socio-political and socio-economic environment. The free movement of goods and services and the speed and ease with which money can be transferred electronically across the continents are gradually making regional groupings like the European Union more viable political entities than individual countries.

In a perceptive essay entitled "The Shape of the World", *The Economist* (23 December 1995-6 January 1996) had stated: "The idea that nation-states, wishing to belong to something bigger, will gather together into big, new entities, each speaking for the culture or civilisations of its component parts, is a long way off from being realised." Only in Western Europe is there any seriously conceived plan to dissolve existing nation-states into something bigger and, "Even this European experiment may now be running into the sands. The world does not, in short, seem to be heading for that fearful 'clash civilisations'."

However, a large number of analysts have begun to question the concept of nation-states. Quoting Jean Marie Guehenno, a senior French diplomat who is now the UN Under Secretary-General for Peacekeeping, JN Dixit has written that nation-states are becoming irrelevant: "A new imperial age is in the making where power and influence will accrue to entities and communities with advanced technologies and information capabilities. These will transcend existing geo-political boundaries and, regardless of their size and strength, existing nation-states will have to cope with this transition."

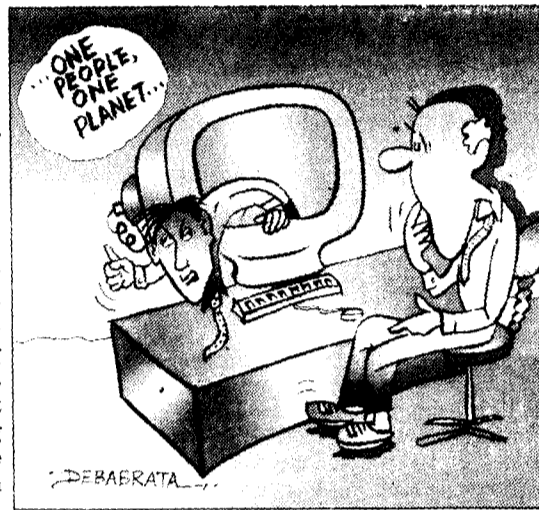
### BUSINESS UNITS

From Margaret Thatcher's free market policies in the West to Deng Xiaoping's "socialist market economy" in the East, deregulation has transformed the world's economy and, consequently, its geopolitics. There is an increasing trend towards forming regional economic and trade groupings, based on preferential trade agreements and mutually agreed tariffs, leading to an unprecedented increase in regional trade. This is evident from the European Union, the North American Free Trade Agreement, the Association of South East Asian Nations, the South Asian Ocean Rim Block, the proposed economic group for the Indian Ocean rim countries in Asia and Africa. Benazir Bhutto recently called for a South Asian Free Economic Zone on the pattern of the European Union, to be eventually enlarged into an Asian Free Economic Zone that would include China. The existing regional groupings are likely to be soon joined by other trade pacts in the South American and African continents.

Regional economic groupings are bound to have a profound long-term impact on the future of the nation-state. Some thinkers are of the view that the future belongs to "region-states" based on economic rather than political borders. Kenichi Ohmae, a Japanese scholar and management consultant, has expressed such a view in his book *The End of the Nation State: The Rise of Regional*

*Economics*: "Traditional nation-states have become unnatural, even impossible, business units in a global economy... 'Region states' are more relevant... What defines them is not the location of their political borders but the fact that they are the right size and scale to be true, natural business units in today's global economy... Theirs are the borders — and connections — that matter in a borderless world".

Ohmae contends that four great forces — capital, corporations, consumers and communication — have combined



to usurp the economic power once held by the nation-state as these can all freely criss-cross national borders. However, the real weakness in Ohmae's argument about the reality of a borderless global economy is that he assumes an identity of interests between what he terms are the four T's — investment, industry, information technology and the individual consumer. Such an identity of interests is increasingly under pressure from protectionist trade policies on the one hand and strident calls for fair trade on the other.

Events in the last decade of the 20th century starkly highlighted the dangers of the re-emergence of ethnic nationalism, another major factor in the decline of the nation-state. Due to the contradictions of history, ethnic nationalism has always been a latent force — a dormant volcano with the potential to explode without warning. Ethnic populations have always straddled international boundaries. The Cold War somehow succeeded in suppressing ethnicity and kept a lid on its separatist tendencies. The rising flames of ethnic nationalism in the Balkans, Chechnya, Georgia, Azerbaijan and Armenia in the Caucasus, among others, and the racial turbulence in South Africa, are threatening regional security with daily doses of mindless violence. Any international encouragement of ethnic nationalism now would produce violent disorder and human misery on a mind-boggling scale, even assuming that it is somehow possible to uproot large masses of people or transfer them from one country to another.

### CYBER STATE

An even bigger blow to the concept of the nation-state is likely to come from the "megamedia" revolution, spawned by the advances in digital communications and fanned by the unbridled power of the Internet. The Internet has created international cyber-citizens — net-surfers who co-exist in a borderless cyber-state. By encouraging openness, greater tolerance, respect for diversity, wider participation, smarter thinking and approval of change, the Internet is gradually moving people towards the "one people, one planet" point of evolution. This "electronic liberation" of the individual is gradually creating a new power structure.

Spectacular advances in

information technology over the last decade are changing the whole nature of political governance and its relationship with commerce. Commerce itself has been materially affected by the arrival of the information superhighway, the Internet, the impact of multimedia on marketing and direct sales and the far-reaching advances in telecommunications technology which have turned the world into a global village virtually overnight.

The world's rapid transit to globalisation, spurred by the international integration of production of goods and services, the free flow of people, information and capital, giant leaps in communications and the diffusion of power to non-state actors, is bound to have an impact on the future of nation-states. However, the impact need not be entirely negative. Writing in *Foreign Affairs* (January-February 2001), Martin Wolf expresses the view: "The modern form of globalisation will not spell the end of the modern nation-state... International economic integration magnifies the difference between good and bad states... failed states, disorderly states, weak states and corrupt states are shunned as the black holes of the global economic system... Global governance will come not at the expense of the state but rather as an expression of the interests that the state embodies. As the source of order and basis of governance, the state will remain in the future as effective, and will be as essential, as it has ever been."

### MNCs AND NGOs

Another factor for nation-states to contend with is the emergence of powerful multinational corporations and non-governmental organisations. Today, MNCs and NGOs transcend national borders and exercise immense power over the people whose lives they touch. NGOs are becoming a force to reckon with as their ability to mobilise the public as well as public opinion has been increasing exponentially thanks to the multi-media revolution. The mass demonstrations witnessed at the Seattle WTO meeting in November 1999 and at the Prague IMF-World Bank meeting in September 2000, symbolised the power of NGOs to mobilise disparate groups and harness their energies for a backlash against globalisation. It would not be far-fetched to predict that MNCs may eventually raise their own armed militias to protect their commercial interests, particularly in war-ravaged regions in the Third World. Such tendencies need to be closely watched and guarded against.

Any socio-political crystal-gazing must take into account not only the post-Cold War power equations and economic globalisation, but also the challenges of economic want, terrorism, mass migration and trans-national crime. Though there is a clear lack of agreement among scholars, diplomats and analysts regarding the shape of the nation-state in the new millennium, what is clear is that change is inevitable. But though the emerging challenges to the survival of the nation-state are quite powerful, the nation-state is likely to have greater durability than is being imagined at present. The conventional idea of sovereign inviolability, that goes back to the Peace of Augsburg in 1555 and to the Treaty of Westphalia in 1648, is unlikely to be jettisoned in a hurry.

The author is a former Senior Fellow, Institute for Defence Studies and Analyses, New Delhi.

THE STATESMAN

29 MAR 2001

40-17

# OPEC rules out price discount

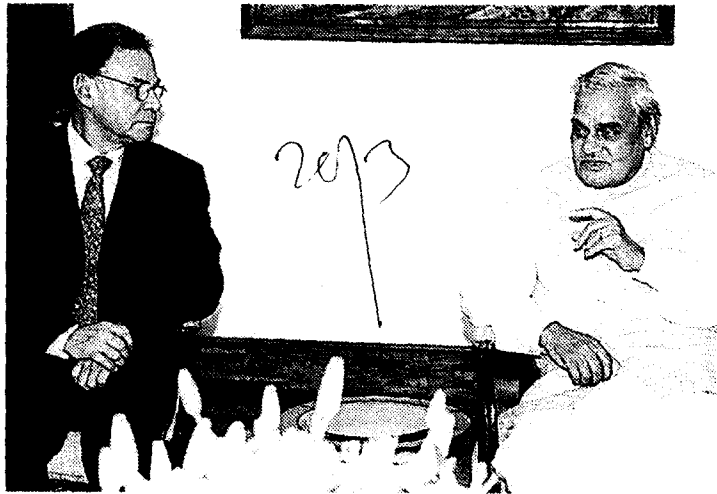
By Our Special Correspondent

**NEW DELHI, MARCH 19.** The Organisation of Petroleum Exporting Countries will encourage member-countries to provide oil at concessional prices to developing countries such as India, but has ruled out such facilities on a multilateral basis. The OPEC Secretary-General, Dr. Ali Rodriguez Araque, today said the organisation did not enter into bilateral contracts, and could not provide price discounts to the third world.

Citing the case of Venezuela, which entered into bilateral contracts providing low interest financing on oil supplies to Mexico and the Caribbean countries, he said, "we will encourage members to enter into such arrangements."

Dr. Araque, who arrived here a day after the OPEC announced a one million barrels per day cut in production, was urged by the Petroleum Minister, Mr. Ram Naik, to put regional security programmes such as oil storages in place for the developing world. India, hit by the cut in output, might have to raise prices to meet the spurt in world prices as the oil pool deficit is likely to rise to Rs. 12,000 crores this year.

Mr. Naik said the latest production cut suggested that the OPEC intended to keep prices near the upper level of the \$25 to \$28 price band. "In our view this level of prices is not affordable by devel-



**The OPEC secretary-general, Dr. Ali Rodriguez Araque, with the Prime Minister, Mr. A.B. Vajpayee, in New Delhi on Monday.**

— Photo: V. Sudershan

oping countries like India and may lead to an economic slowdown."

The proposals submitted by Mr. Naik on extension of credit period, price discount and deferred payment facilities at the recent World Energy Conference in Riyadh, could not be accepted, Dr. Araque, said at a press conference after a seminar organised by the Tata Energy Research Institute (TERI) here.

He said it was important for the OPEC to ensure that developing countries were able to purchase sufficient oil for consumption.

Otherwise, there would be constraints on the market. "We have to expand the market," he said.

On the latest cut in output, he said the economic slowdown in the U.S. as well as the seasonal decline in demand in the second quarter of the year had led to the expectation that the demand would rise only by 1.3 million barrels a day this year. While the OPEC would supply one million barrels, the balance would come from non-OPEC producers.

Dr. Araque placed much of the blame for soaring oil prices on the oil trading market where the

benchmark crudes of West Texas, Brent and Dubai were often quoted much higher than the OPEC basket of crudes. In fact, the difference in prices was often as much as \$10 to \$12 a barrel. Last year, when prices rose to over \$30 a barrel, the OPEC increased production by four million barrels a day, an over-supply of about 1.5 million barrels a day. Yet, prices continued to rise, he said, indicating speculation in the markets.

The OPEC was working on a proposal for a new benchmark crude, in addition to the existing benchmark crudes, and would provide an indicator of the "physical reality" of oil availability rather than merely "trading in paper". Dr. Araque also highlighted the fact that price increases in countries such as the U.S. were more due to unequal distribution as well as price hikes in products produced in domestic refineries.

The top OPEC official will meet the Petroleum and Power Ministers for talks here, and will also call on the Prime Minister, Mr. Atal Behari Vajpayee. He leaves tomorrow for Mumbai to meet representatives of the Indian Oil Corporation and Reliance Petroleum. He will then go on to Bangalore for presentations by Infosys and Tata Consultancy Services, as well as meeting the Karnataka Chief Minister, Mr. S. M. Krishna.

THE HINDU

9 MAR 1991

# Globalisation — an American perspective

By C. T. Kurien

AS A student of globalisation for over a decade one of my main observations has been how divergent perceptions are about the phenomenon. One is reminded of the fable of the blindmen who went to study the elephant. Not only that each had a different version of what the animal was like, but according to John G. Saxe who converted the Indian fable into English verse, "they disputed loud and long, each in his own opinion exceeding stiff and strong". Surely, the blindmen could have been academics too!

One of those men who recently set out to study the animal called globalisation (which incidentally no one can see, and hence there is no distinction between blindmen and other men) is an American named Friedman. Thomas L. Friedman is no ordinary American, though. He is the winner of the Pulitzer Prize, one of America's most prestigious literary awards and, as the foreign affairs columnist for *The New York Times* he interprets, if not influences America's global policies. On the basis of his global explorations of globalisation he published a book in 1999 with the catchy, though somewhat intriguing title, "The Lexus and the Olive Tree" (updated and revised edition. Anchor Books, New York, 2000). The book received rave reviews in practically all leading dailies in the country, and has been highly commended by professional journals such as the *Harvard Business Review* and the *National Law Journal*. It has also become highly recommended reading for those who wish to understand the complex phenomenon of globalisation.

There is reason for it too. Friedman's style is appealing. The book provides a great deal of researched factual material as also anecdotal narratives from virtually all countries of the world on the basis of conversations with people in power and those in the streets. Above all, Friedman has the ability to communicate difficult themes in simple, beautiful prose. Listen to this: "Globalisation is everything and its opposite. It can be incredibly empowering and incredibly coercive. It can democratise opportunity and democratise panic. It makes whales bigger and minnows stronger. It

leaves you behind faster and faster and it catches up to you faster and faster... It enables us to reach into the world as never before and it enables the world to reach into each of us as never before" (p.406). How can one react to such passages, except with a tinge of envy?

The title of the book is the every day language version of the deeply philosophical theme, "globalisation is everything and its opposite". Friedman, on one of his many global tours, visited the factory producing the Japanese luxury car Lexus where 66 human beings and 310 robots

process may put you in a golden strait-jacket with the economy growing and politics shrinking. What to do, because that is what capitalism does, and let there be no mistake about it, the driving force of globalisation is free market capitalism. One has to live with capitalism's law that "winners take all". It will create some minor problems such as social inequalities. Friedman quotes figures that the incomes of the poorest fifth of working families in America dropped by 21 per cent between 1979 and 1995, while the incomes of the richest fifth jumped by 30 per cent during the

but it is meant for everyone, everywhere. How else can it be claimed to be global?

Friedman has a long list of qualities that make America truly "the ultimate benign hegemon and reluctant enforcer" of globalisation. America has a strategic geophysical location. America's population is multicultural, multiethnic and even multilingual, all other tongues yielding to the superiority of American English. America has a rapidly adjusting capital market, bankruptcy laws, honest legal system, democratic and flexible polity, malleable labour market, an open policy towards immigrants of high skills and a deeprooted entrepreneurial culture.

Friedman reserves his final comments for all who proclaim — academics, administrators, business people — that the "free market" works on the basis of its own power. The state matters more, not less under globalisation, points out Friedman. But it has to be a smaller, better state. "If your market is all stoplights, and no free ways, it breeds corruption. If it is all free ways and no spotlights, it breeds chaos" (p.159). There is more to come, towards the very end of the opus. McDonald's spreads across the world, and countries with McDonald's do not go to war partly due to economic integration. "But it is also due to the presence of American power and America's willingness to use that power against those who would threaten the system of globalisation — from Iraq to North Korea." On this hard-core empirical observation comes Friedman's final Global Law: "The hidden hand of the market will never work without a hidden fist ... And the hidden fist that keeps the world safe for Silicon Valley's technologies to flourish is called the U.S. Army, Air Force, Navy and Marine Corps" (p.464).

From the time Adam Smith wrote more than 200 years ago about the mysterious invisible hand of the market many have tried to challenge it, but this is the first substantive modification of that dictum that I have come across. And I am inclined to agree with Friedman because he is an honest and honourable man.

(The writer is Professor Emeritus, Madras Institute of Development Studies, Chennai.)

## *Globalisation is everything and its opposite... That is the Thomas Friedman thesis.*

worked together to perfection to turn out 300 Sedans each day. He was struck by the latest in technology, luxury, aesthetics, and organisational sophistication that Lexus seemed to represent. On the way back to his hotel he happened to read about a feud between the Arabs and the Israelis over who owned which olive tree. How primitive, he thought and how very boorish. And yet the mental juxtaposition of the Lexus and the olive tree had the same impact on him as the falling apple had on Newton. Olive trees, he thought, represent "everything that roots us, anchors us, identifies us and locates us in this world" — family and home, community and nation. He arrived at the conclusion that globalisation must hold together the Lexus and the olive tree.

It is unavoidable, says Friedman, for globalisation is a fact as the cold war was fill a decade ago. Indeed, globalisation is the new international system emerging after the cold war, a complex dream of which the final act is yet to be written. It calls for new balance between nation states, between nation states and global markets, between nation states and individuals. It is also a great process of democratisation based on rapid economic progress. One of Friedman's global laws is that every country with a per capita income of \$15,000 is a liberal democracy, except Singapore. The

same period. And in 1998 America had 170 billionaires compared with 13 in 1982. Friedman warns the winners that if the have-nots are not allowed to survive they will eventually produce a backlash that can virtually choke off the system and the country.

Globally too, inequalities have increased with globalisation, and may continue to do so. But not to worry. Friedman has his "The Golden Arches Theory of Conflict Prevention" to offer — once again an empirical generalisation. "No two countries that both had McDonald's had fought a war against each other since each got its McDonald's" (p.248). Did you know that? It does not matter if immediately after the Law was stated war did break out between McDonald's countries, as it happened for a while in Kosovo. There is always the U.S. and the NATO countries who can deal with it.

That is the Friedman thesis. The U.S. may not be in charge of globalisation, but "it is the country with the greatest ability, for the moment, to shape the coalitions that can manage globalisation geopolitically" (p.204). And why is it so? First and foremost because "as the country that benefits most from today's global integration ... it is our job to make sure that globalisation is sustainable" (p.437). Globalisation may be an American dream,

THE HINDU

21 MAR 2001



# Reciprocal gestures needed from developed nations

STATESMAN NEWS SERVICE 558

NEW DELHI, March 12. - It takes two to tango. In globalisation context, its success depends on quick opening up of economic borders by the developing countries and reciprocal gestures from the developed countries.

This message was sent out unequivocally by Professor Hans Rimmert Hemmer, of University of Giessen, Germany - in his keynote address on "Developing Countries - Victims or Beneficiaries of Globalisation". And in tandem with Amartya Sen's line of thinking, the professor made it clear that national governments must have clear education and public health policies - indispensable for building an internationally competitive economy. Today was the second day of the International Conference on Globali-

sation and Impact on South Asian Countries organised by the Konrad Adenauer Foundation in cooperation with the CII.

From the deliberations and discussions on the subject, the bottom-line is clear - there is no alternative to globalisation. The alternative is in whether the developing countries want to benefit from globalisation or not. Shared experiences of South Asian countries during the day gave out the unmistakable signal that while they were keen on stronger regional cooperation - intrinsic to globalisation "in the face of a non-viable financial architecture", India's neighbourly problems were a major impediment.

The delayed annual Saarc meeting being an instance. India being well on the path to globalisation, had not much to lose, but it has to

understand the frustration of economies like Bhutan and Nepal which needed the benefits of stronger regional economic integration. It was felt.

Later, addressing the concerns of the developing countries, Professor Hemmer pointed out that the task of utilising the opportunities offered by globalisation lay mainly in the hands of developing countries themselves. "But there can be no universal recommendations for a group of countries as heterogeneous as the developing nations. However, there were areas where these states could take pre-emptive measures to avoid being marginalised in the race towards globalisation," he said.

In a veiled criticism of the developed countries' tendency to dictate

terms to developing countries, Professor Hemmer conceded that some of the policies being followed by the West was not entirely in the interest of the developing countries. Social standards being brought into the ambit of the international trading system, but it is not up to the international community to decide and the latter are the best judge of what and how those standards should be adopted. There has been a discrepancy in success rate of international development cooperation - technical and financial - and for this the developed countries need to respect the sovereignty of developing countries.

One of the first imperatives for developing countries was the creation of social security nets to cushion the shocks of structural adjustment such as unemployment and retrenchment. However what type of social security nets a country creates should be decided by the developing countries.

Referring to the vigorous privatisation drive in several South Asian countries, the professor called for a case-by-case approach. Neither the "Big Bang" nor gradualism are desirable, the professor warned. The aim should be to drive fast but on the right track. For countries like India with long history of import substitution, it was necessary to set a target for a particular sector, and fix a time frame for removal of trade barriers to prepare it for competitive international economy.

The lack of an investor-friendly climate has been greatly responsible for flight of capital from developing countries. It was indispensable for government agencies to improve the framework conditions for foreign investors and enterprises by bringing the law of the country and its infrastructure (public administration, transport, communication, housing, education, public health) in line with these requirements.

Stable political and legal framework conditions free of corruption are crucial prerequisites for creating a positive climate of development and growth in a national economy.

Authoritarian regimes deprive themselves of any opportunity they may have had to attract FDI and utilise its positive effect. In the longer run, market economy reforms can be successfully implemented only if supported by the vast majority of the population," Professor Hemmer concluded.

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13 MAR 2001



# Stocks fall, heads roll in Mumbai

OUR BUREAU

Mumbai, March 12: The Securities and Exchange Board of India (Sebi) tonight stunned the markets by barring officiating president Deena Mehta and six others from acting as directors of the Bombay Stock Exchange's governing board until further notice. The dramatic clampdown came as the markets were licking the wounds of a gut-wrenching day that saw stocks tumbling from Mumbai to Tokyo to New York.

This is the first time that the capital market regulator has taken such a punitive step against broker-directors of the 125-year-old bourse.

Sebi also suspended the four firms of former BSE president Anand Rathi from undertaking any fresh business as a broker until further notice. "Tomorrow, we will name our representative who will take over from them," Sebi executive director Pratip Kar told **The Telegraph**.

The market watchdog said the decision had been taken in the interests of investors and the orderly development of the securities market in India.

The directors who have been restrained by Sebi until further notice are Anand Rathi, who quit as a president but not as a director on March 8, Deena Mehta, Himanshu N. Kaji (honorary treasurer), Jayesh K. Sheth, Kirit B. Shah, Motilal Oswal, and Niranjana K. Nanavati. The BSE board has 18 directors, including seven broker-members.

The misery of the markets started multiplying during the day as stocks were sucked into a bottomless vortex, sending the 30-scrip BSE sensitive index skid-



Gloom in Tokyo as a stock exchange board flashes the 456-point drop, which pulled the index down to a 16-year low. (Reuters)

ding to a four-month low at 3767.89, a fall of 114.07 points.

Sources said while the downside was partly due to the huge fall in Nasdaq over the weekend, fears now abound that the payment problem that hit Calcutta last week may erupt on the National Stock Exchange tomorrow.

A fresh fall in the world markets will also dampen the mood. In mid-morning trading, technology stock bellwether, the Nasdaq Composite Index, had fallen below the 2,000-mark for the first time in three years while Tokyo's benchmark index had crashed to a 16-year low.

The sudden action by Sebi has been attributed to heat from the Union finance ministry which has been under pressure in Parliament to explain the 10-day roller-coaster on the markets. A crucial

debate on the issue begins in the House tomorrow.

Rathi has been at the centre of a storm ever since the meltdown on Black Friday (March 2) when a bear cartel hammered stocks in the last half-hour of trading and sent the skittish markets into a spin. The former BSE president has been accused of misusing his position to gain access to information and passing it on to the bear cartel.

Yesterday, Sebi chairman D.R. Mehta had a three-hour meeting with finance minister Yashwant Sinha to discuss a "fact sheet" before the debate in Parliament. Deena Mehta today had a meeting with Sinha in Delhi to brief him about the situation in the capital market.

■ See Business Telegraph and Page 3

THE TELEGRAPH

19 MAR 2001

# India the new role model for developing countries

STATESMAN NEWS SERVICE

NEW DELHI, March 11. - India has become a platform for brainstorming sessions on globalisation, and a role model for developing countries in harnessing IT power. This was evident at the three-day international conference on Impact of Globalisation in South Asian Countries, which began in New Delhi today.

The conference, organised by the Confederation of Indian Industries in cooperation with Konrad Adenauer Foundation, has Saarc nation representatives attending at a time when efforts to revive Saarc process has acquired momentum.

Globalisation presents a

three-pronged challenge - preserving peace, freedom and security, strengthening justice, democracy and development, and combating poverty and preserving a sustainable basis for the existence of future generations, Prof Gert W Kueck, Konrad Adenauer Foundation's Resident Representative to India said. He said globalisation seems to be both an exciting opportunity and a formidable challenge.

In his opening address, Mr Satish K Kaura, chairman of CII Public Policy said, the problem of dealing with globalisation lay in the varying stages of reform ferment that South Asian countries were in.

Speakers said globalisation has been a much bandied-around term of late, encompassing contradictions of inequality and opportunity to accelerate progress.

Disadvantages of South Asian region are weak physical capital, declining share of gross domestic product, low level of agricultural development and low public investments.

They are coupled with high industrial sickness, joblessness, low domestic savings and weak financial systems, Mr Kaura said.

Many speakers felt India embraced globalisation as development paradigm using its entrepreneurial skills and skilled

labour power. As India fulfills WTO obligations, there was hope that the conference would set recommendations in these areas which can be emulated by other countries in the region.

Globalisation could be made accessible to South Asian countries with a multilateral investment agreement to improve transparency and planning condition for FDI, abolition of

protectionist abuse of anti-dumping measure and involvement of least developing countries in negotiation process, Prof Hans Rimbart Hemmer of University of Glessen, Germany, said.

Saarc representatives present-

ted a plethora of globalisation dilemmas that these countries were caught in. All unanimously agreed that globalisation was an emotive force, inevitable, irreversible in its stride, which stirred apprehension, expectations and aspirations.

Bangladesh, Nepal and Maldives wanted South Asia to take measures which will individually and collectively help the regions to overcome their uncertainties. Representative of Bangladesh said the conference should dwell on low flow of

investments to developing countries, and on the reason why South Asia failed to emerge as a favoured investment ground for foreign compa-

nies. What also emerged strongly was that Saarc states were not willing to be partners in globalisation by compromising on sovereignty.

This was forcefully said by Pakistani representative who blamed the growing disparities between developing and developed countries on the unfair implementation of the WTO provisions.

Financial aid from international agencies like International Monetary Fund was tied to conditions impossible for developing countries to fulfil. This is likely to cause havoc in South Asia as it did in East Asia, warned Pakistan.

5/6  
17/3

THE STATESMAN

12 MAR 2001

# Globalisation and the poor

By Sumati Mehta

110-12  
9/13

**T**HE CENTRAL challenge the world faces today is to ensure that globalisation becomes a positive force for all its people and not just the privileged few. It is incumbent on those in power to ensure that the benefits of globalisation and growth are shared equitably instead of leaving billions of people behind in squalor. This is essential not merely for reasons of "fairness" and "justice", but for ensuring the sustainability of the globalisation process itself. Beyond doubt, for this to happen, Government and the fast-growing corporate sector will have to join hands.

Corporate governance, as it has emerged so far, has developed more as a response to systemic financial and corporate crises. However, if its full potential is to be realised, the role of corporate governance has to be understood in the context of its role in promoting growth. In the era of globalisation, private sector corporate development has increasingly become the basis for sustained growth in most economies across the world. Where does corporate governance come in? And how can it contribute to growth?

Corporate governance contributes to growth of the private sector in different ways. Among other things, by providing investors the much-needed protection through its emphasis on promoting transparency, accountability, responsibility, and fairness in governance of firms, it helps developing countries in attracting long-term foreign capital as also domestic investors who have a large potential pool of stable long-term resources critical to development. Through its emphasis on disclosure norms and thereby timely availability of information, corporate governance also contributes to efficiency in the investment process, both at macro and micro levels.

The question that follows is: how can corporate governance contribute to equity issues? What role can it play, if any, in making the benefits of globalisation reach the poor as well? *A priori*, such a question appears to be something of an anachronism. For, is not globalisation all about "groups and individuals interacting directly across frontiers, without necessarily involving the state"? And since the private

sector works primarily for the profit motive, with a few philanthropic exceptions here and there, how can corporate governance make it work for the poor instead? And is it not the business of Government to just let the "market forces" be, and not to create distortions in their operation by stepping in? The answers to these apparently obvious questions are in fact not as simple as they may first appear to be.

Corporate governance combined with budgetary incentives can help in enabling the benefits of globalisation to contribute not merely to a faster rate of growth, but also to equity and the interests of the poor. For this to happen, Governments

***Corporate governance combined with budgetary incentives can help in enabling the benefits of globalisation to contribute not merely to a faster rate of growth, but also to equity and the interests of the poor.***

have to make it "profitable" for the private corporate sector to work for the poor and for tackling poverty. Sounds impractical, but it is possible. Governments play a key role in shaping the legal, institutional and regulatory climate within which individual corporates operate. This enables substantial income generation in the corporate sector. Therefore, it is but logical that simultaneously the corporates are also made aware of their social responsibilities. And not through dictatorial directives. The key to making corporates socially responsible is to consider enactment of measures which would make it profitable for them to cater to the needs of the economy and society in addition to their own corporate goals. But before that can be done, some steps are needed in the field of corporate governance.

First, greater transparency is required regarding the performance of corporates with respect to socio-economic indicators as also their investment in these sectors. At present, one of the regulatory measures of corporate governance includes timely disclosure of adequate information on corporate financial performance. The disclosure requirements in most cases relate to financial and accounting information

and are generally tax-driven. It is worth considering whether the disclosure requirements can be modified to include information with respect to investment as well as performance with respect to certain socio-economic indicators. This additional information could cover some or all of the following — amount of labour employed per unit of capital invested, literacy levels in a specified population covered by the firm, overall indicators of the health of the specified population in a given radius of operation of the firm, contribution to environment improvement, etc. The inclusion of this information as part of disclosure requirements could in itself contribute to some improvement of cor-

porate efficiency on these fronts.

porate efficiency on these fronts.

Second, it is worth considering whether any regulations can be framed requiring corporate compliance with respect to socio-economic parameters reflecting society's values. Such regulations can be considered because while firms and the private sector acquire greater resources and power, they also need to become aware of and sensitive to their greater responsibility towards society and societal objectives. Such an idea could face some resistance initially but the same could be overcome since corporates also stand to gain when the overall economy does well.

Third, budgetary incentives could be considered which would make it profitable for corporates to invest in specified social sectors. Deductions are at present allowed in respect of personal income tax for investments in certain pre-specified securities. It needs to be explored whether similar deductions can be allowed from corporate income tax for investments made in specified social sectors. Pressure from shareholders as also the Board, with respect to ensuring a certain minimum efficiency of all investments made, with the ultimate aim of ensuring high overall productivity of the firm would ensure that

these investments are productively channelled.

Finally, Governments can also attempt to make globalisation contribute to the promotion of social equity and justice by attempting to correct the "market failure" that often occurs in the case of social sector goods. Social sector goods are often in the nature of public goods and may have externalities which are not reflected in market prices chargeable for the products. The Government may, therefore, choose to encourage production of these goods and services by considering "differential" rates of corporate income tax from different sectors, with concessional rates for some of the social sectors. This would automatically make it profitable for companies to invest in the social sectors as well. Here, introduction of a tax concession is a conscious measure of the Government designed to "correct" the market failure, without actually taking over the market. It is, of course, presumed that Government would continue to simultaneously ensure economic and political stability and also continue with its responsibilities in these sectors, since the corporate sector cannot be expected to substitute for the Government's role overnight.

The World Bank President, Mr. James Wolfensohn, has mentioned in the foreword of the most recent World Development Report: "the forces of global integration and technological advance can and must be harnessed to serve the interests of poor people". The suggested approach is, in fact, enabling this to happen, and can contribute to "major reductions in human deprivation". It would also help in reducing the growing tensions created on account of globalisation in some developing countries because of the increasing divide between the "haves" and the "have-nots". Adoption of some of these ideas could help in assuaging the doubts about the sustainability of the globalisation process and its ability in tackling the problems of the poor and those at the marginal level. It can actually help in making "globalisation work for the poor".

(The writer is an officer of the Indian Administrative Service.)

THE END

# The road to globalisation

By C. V. Gopalakrishnan

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**T**HE WARNING from the Nobel laureate, Dr. Amartya Sen, against blind opposition to globalisation reflects his keen awareness of having to shed perceptions held in India since the mid-1960s when the country was virtually scraping the barrel for the foreign exchange it badly needed for sustaining essential imports. The foreign exchange reserves had been reduced to just a few thousand pounds and dollars and had to be rigorously rationed; one can recall the hardship faced by foreign service officials posted to embassies abroad having to live on a shoe-string budget. The message repeatedly stressed by the Government was on the country's need to resort to a rigorous import substitution. Release of foreign exchange — and it was almost always less than that applied for — was made only after the Chief Controller of Imports and Exports was satisfied that the capital goods and machinery sought to be imported were not available in India; this had to be duly certified by the Directorate-General of Supplies and Disposal. The Chief Controller functioned very much like an emperor.

The scene changed — very unexpectedly — after the Arab-Israeli war of the mid-1970s when the price of crude oil shot up from about not more \$1.50 per barrel to well over \$15. It should have reduced India, which was and continues to be heavily dependent on oil imports, to utter bankruptcy; the World Bank's prediction was that India would "reel" under the very high prices it would have to pay for oil. Two developments which the "experts" of the World Bank just did not anticipate actually led to the foreign exchange inflow into India shooting up to millions. The impact of the rise in oil prices was that the prices of everything sold in the world market — including those from India — which the oil-rich countries were rushing to buy for their accelerated industrial development went up sky-high. The labour-scarce oil-producing Arab countries were thrown open to the labour

force from India and other countries and the inflow of foreign exchange through their remittances rose to levels unforeseen.

A recollection of the West Asian oil boom of the 1970s and its impact on India should focus attention on what Dr. Amartya Sen has said about "stubborn separatism" reflected during the 1960s and 1970s by the drive for self-sufficiency and import substitution necessitated by a critical

who was on a visit to England at the time.

The purpose of recapitulating this history is to invite attention to how time makes many things irrelevant. If the Gandhians who were actively involved in the freedom movement were devoted to the spread of Khadi, it was for the simple reason of ensuring a living wage for the Indian workers spinning yarn and weaving it at a time when fabrics manufactured in Britain, from the cotton

## *The resistance to imports has a history dating back to British colonialism which snuffed out Indian industry.*

balance of payments situation. Looking back upon this period we could now see that the acute foreign exchange predicament of the time would never have made it possible to spare even a moment for the concept of globalisation being just an extension of the principle of division of labour on the international scene. The awareness about there being very little sense in making everything we need — by using huge amounts of resources and time for setting up indigenous production units — when there was a world market which could meet our needs more quickly and at a very acceptable cost emerged slowly. This was because of the mental resistance to imports having a history dating back to British colonialism which snuffed out Indian industry, restricting it to being a supplier of raw materials for British manufacturers. This inspired the Khadi movement and the boycott of British goods. Apart from Khadi, the other items for which there was an intensive sales drive by the nationalists was the Dialbagh fountain pen. An outcome of the boycott of British goods which had a measure of success was that it led to a decline of production in the Lancashire cotton mills and unemployment in England. A moving photograph taken during the 1930s was of the wives of unemployed Lancashire workmen recounting their plight to Mahatma Gandhi

imported from India at dictated prices, were making a killing in the captive Indian market. The very large number of cotton mills which are now scattered all over the country and are employing a huge number of workers had changed the scenario from what it was when the Khadi movement was inspired by its zeal to protect the Indian spinner and weaver from the British mill industry. The Gandhians of today are still devoted to Khadi and are unhappy over the preference of Indians at all levels for the mill-made fabric produced wholly by other Indians. But the charge of exploitation by the mill sector which was very validly made during the freedom movement can no longer sound convincing.

If the persisting swadeshi sentiment against the purchase of foreign goods is a hangover of the nationalist and patriotic sentiment, there were times when the attitude to foreign goods was free from such bias in the pre-colonial period. Though we do not have statistical data of the kind we have today, it is known that there was a flourishing foreign trade in goods long before the British arrived on the scene. Writing about India's foreign trade in the first millennium in his "The Discovery of India", Jawaharlal Nehru mentions that Roman writers actually "bemoaned the fact that gold flowed from Rome to India

and the east in exchange for various luxury articles" in the same way that nationalist Indians would be doing many centuries later when British manufactured goods would be flooding the Indian market. Profiting as a "merchant carrier" and by "manufacturing cloth from the earliest ages, long before the other countries did so" India had developed a textile industry. "Indian textiles went to far countries. Silk was also made from very early times though probably it was not nearly as good as Chinese silk which began to be imported as early as the fourth century B.C." The rulers of Tamil kingdoms, particularly the Pandyas, were importing Arab steeds for their cavalry regiments and for breeding.

A fuller exploration of its foreign trade in this pre-colonial era would present India as a fully globalised market right from the pre-Christian era. It should provide enough justification for shedding the sentiment against imports of even those goods which are produced in India as a challenge to domestic industry to raise quality of production and face up to foreign competition. India which had decried protectionism in the West should desist from sticking to such protectionism within its borders, even if this demand is now being made most by multinational corporations. This would seem to be the reasoning of Dr. Amartya Sen and the others who dare to think like him. It is quite possible — though not many have been as outspoken about it as they should have been — that the political support which Indian industrialists could count upon had perpetuated protection for them from foreign competition.

There has no doubt been an inflow of foreign investments, which should serve as the exposure which Indian industry needs, but it is nowhere near what China has got. Among the most remarkable developments in recent years is that of this rigidly communist country having become virtually a playground for the MNCs.

THE HINDU

- 8 MAR 2007

# Marx and globalisation — II

By Gail Omvedt

FROM THE 1950s onwards, most of the newly-independent colonies and dependencies switched to policies of protectionism, disengagement from the world market and heavy state controls, including nationalisation of basic industries and planning. India's "Nehru model" was only one example of this process. The suspicion of capitalism and the market was quite understandable. Unbridled free market capitalism had resulted in unprecedented economic crisis with the Great Depression of the 1930s followed by war and turmoil throughout the world, and capitalist countries themselves had responded with a move to planning and state controls, including the "New Deal" in the United States. The evident success of early Soviet industrial development and opposition to the imperialist world was also inspiring to many poor countries and supported an upsurge in marxist ideology and socialist trends throughout the world.

Marxists themselves turned away from the idea that countries had to go through a stage of capitalism. Those who supported protectionism and withdrawal from the world market became known as "dependency theorists". All social science theories recognised the problems of industrialism along with its unprecedented growth, but they fell into two trends in explaining how growth took place and how it could spread. The dominant "modernisation theories" emphasised internal factors; capitalism, it was argued, could develop in the West because of inherent values supporting individualism, accumulation and technological innovation, and could spread to non-Western countries as well if existing barriers of feudal values and social relations could be overcome. Trade and exchange of ideas were seen as engines of growth, while the more ethnocentric sociologists emphasised the supposed "backwardness" of many non-Western cultural systems as the major factors in holding back change. In contrast, dependency theorists argued that economic growth in the West had been based on imperialist exploitation, and that the very success of developed countries was at the cost of the misery and continued backwardness of others. In the words of one of the most famous of these, Andre Gunder Frank, it

was said that "development creates underdevelopment". Not only forms of direct colonisation, but trade itself was seen as keeping the poorer countries backward. Thus dependency theorists recommended not only state controls and nationalisation as steps towards socialism, but also protectionism, autarchy and withdrawal from market forces as necessary to "independent capitalistic development".

In fact, Marx himself was a modernisation theorist of a very particular type. Unlike those economists and sociologists

sources of dynamism, but its effect throughout the world was to increase inequality and exploitation, to extract resources from the third world for the development of capitalism in the West.

From the 1960s onwards, however, the picture is different. Economic inequalities (though these are hard to measure, given problems of exchange rates) have remained in many respects; however, there are two counter trends. First, according to the Human Development Reports, as measured in terms of most material indicators, such as calories of food available

American capitalists to gain a role in the world industrial hierarchy would not have been a major criterion for him.

It is also undeniable that there have been dramatic differences among the growth rates and poverty reduction achievements of different third world countries. Generally speaking (except for the crisis in the former Soviet bloc, which has its own dynamic), those countries most marginalised in terms of the world market — including most of the African countries — grew the slowest and remained poorest. Those which engaged intelligently with the world market, for instance with policies of export orientation, grew. South Asian countries such as India had some of the highest degrees of state involvement in production and in regulating the market forces and at the same time had among the slowest growth rates. In China also, the communist period could produce an equalitarian spread of education and health, but it was only after economic reforms began in 1978 that rapid economic growth took place. Today many Chinese see the state sector as providing stability, while the private, capitalistic sector is the engine of growth.

Marx himself would not have disagreed. Capitalism to him meant not simply exploitation, which has existed in all pre-capitalist class societies, but specifically the rapid advancement of the forces of production, the overturning of old ways of life and the increasing integration of the world — all factors he saw not as negative, but as laying the basis for socialism. While those speaking in his name today are taking opposition to "liberalisation, privatisation and globalisation" as a simple slogan, Marx himself would have looked to the ways the new developments in capitalist, science-based information technology and biotechnologies provide both opportunities for growth in welfare and the liberation of the masses of working people and the basis for using the contradictions they represent for moving towards socialism. If the old ways of trying to build socialism have seemingly failed, people themselves through their movements will find out the new ways on the basis of the reality of the world today.

(Concluded)

*If the old ways of trying to build socialism have seemingly failed, people themselves through their movements will find out the new ways on the basis of the reality of the world today.*

who saw the process as harmonious, Marx viewed the historical process as one of contradiction and exploitation; unlike conventional social scientists he did not see it as ending with capitalism. With all of this, though, he still believed that capitalism produced growth, that this was transmitted through market relations and foreign investment, and that there was no road directly from feudalism to socialism. Thus dependency theorists, though calling themselves Marxists, were rejecting crucial themes of Marx himself, and found their social base in the intellectuals and nationalist elites of the third world rather than in working class movements. In this sense, they were "revisionists".

There is nothing, of course, wrong with "revisionism"; sciences, unlike dogmas, progress through engagement with the changing real world and through developing and revising their hypotheses and theories. But in this respect, Marx seems to have been more correct than his dependency theory followers of the current period. If we look at the broad paradigms of modernisation theory and dependency theory simply in terms of the predictions about increasing inequality, it is clear that from 1800 to the 1960s or so — the classic period of imperialism and colonialism — economic social inequalities increased dramatically throughout the world. In this sense, dependency theory was correct: industrialisation did have internal

per capita, maternal mortality rates, child mortality rates, life spans etc., the gap between the North and the South has on the whole declined, not increased.

During the "decade of globalisation" in the 1990s almost all countries, with the notable exception of the former Soviet bloc, improved in terms of human development. Further, during the 1990s, the share of the U.S. in world GDP increased marginally from 26 per cent to 28.8 per cent (after declining from over a third of the world total in the 1960s), but the share of China increased from 1.6 per cent to 3.3 per cent, the share of East and South East Asian developing countries as a whole increased from 4.3 to 6.2 per cent, while India's share increased marginally from 1.1 to 1.5 per cent. Developing countries, especially those in Asia and Latin America, have moved from dependence on agricultural, mineral and oil production and exports fostered by the colonial regime to increasingly sophisticated manufactured goods.

Dependency theorists have partly recognised this by talking of "dependent development", but this would have been a rather meaningless category for Marx, who spoke from the viewpoint of the working class for whom the crucial factor was overall development and the increase in capacities of the majority of toilers in a country, not the skin colour of the capitalists; the ability of Asian and Latin

THE HINDU

- 2 MAR 2011

# A globalisation of security?

By P. S. Suryanarayana

*Inherent in the American gameplan on a missile defence system is the nuance about the 'globalisation' of security.*

THE DIPLOMACY of globalisation, a fine art being practised by the United States, is acquiring a new vibrance now. Globalisation has often been associated almost exclusively with Washington's agenda of catalysing the creation of an integrated network of market-oriented economies across a diverse matrix of sovereign states. On a related front, the notion of globalisation of politics first came into focus when the U.S. stunned the forum for Asia Pacific Economic Cooperation (APEC) at its summit in Kuala Lumpur in 1998 by commending democracy — as an imperative feature of individual statehood for the success of free-market systems in each of the countries concerned. This theme is being articulated at this moment, too, by the new Bush administration in Washington.

It is in this context that an altogether new facet, the globalisation of security, is taking shape in a glacially-slow but definitive fashion. This evocative phraseology has not been openly spelt out by Washington. Yet, the gradual emergence of the concept itself cannot be missed. The new U.S. Defence Secretary, Mr. Donald Rumsfeld, has spoken about "globalisation" as a challenge facing the country's security planners at this stage. In a macro-perspective, "globalisation" is the situational context in which he has outlined the need for an American missile defence system. As the head of a specialised commission that studied this question during the previous Clinton presidency, Mr. Rumsfeld is a key innovator of the concept of anti-missile defence itself.

As proposed by the present U.S. President, Mr. George W. Bush, the futuristic national missile defence system (NMD), by that or any other nomenclature, will be primarily a state-specific protective canopy. The objective is to fashion a security shield for the U.S. as an insurance against the ballistic missiles that might be directed against it by any state or non-state player operating outside the circle of Washington's "allies and friends". The U.S. has not yet pronounced the last word on whether or not any proactive players

among its "friends and allies" will be associated with the proposed NMD project — simply as the beneficiaries or indeed as the collaborators who would also be entitled to the protection expected to be afforded by the umbrella. Yet, the ideas being expressed by Mr. Bush are indicative of his preference for some form of two-way consultations between the U.S. and its traditional partners as also its amicable interlocutors among the state-players. Inherent in this gameplan is the nuance about the globalisation of security.

Plain globalisation, which connotes the goal of an economic integration of free-market states, has always been portrayed by its advocates as a U.S.-inspired battle against the countries resistant to this magical idea of a network of "prosperity" under universal capitalism. Viewed thus, it is obvious that the original globalisation is only a process and not an accomplished reality. Conceived by a few countries and companies after the end of the Cold War nearly a decade ago, pristine globalisation is designed to induce the non-believers to adopt the cause of free enterprise and market-economies. The ultimate outcome of economic globalisation, still a far cry at this stage, is visualised as a borderless cosmos of free markets that could still cut across the political boundaries of statehood.

Closely linked to this concept is political globalisation, almost an article of faith that has been most recently hinted at by the new U.S. Secretary of State, Gen. Colin Powell, in his comments on the perceived organic linkage between capitalism and democracy. To Washington's current way of thinking, it is possible that its foreign policy can be driven by the mystique of this idea. Conspicuous in this arena, too, is the reality that democracy has yet to evolve across the entire world and that the U.S. sees itself as

the prime mover. Somewhat revealing as a confident response of the third world to the challenge of Washington-orchestrated political globalisation is the mood that Malaysia's leader, Dr. Mahathir Mohamad, displayed at the end of the 1998 APEC summit. He had been attacked by the U.S. for his alleged penchant for stifling democratic dissent. Dr. Mahathir's response to a question from this journalist on that occasion was indicative of his concern over what he saw as the dictates of the West in regard to economic globalisation rather than its political manifestation.

The notion of globalisation of security can be the so-called third wave of this ongoing and arguably multi-dimensional process. Mr. Bush has envisioned the U.S. as the singular "leader" of an interdependent and globalising world of free markets and freedoms. Elaborate, too, is the U.S.'s diplomatic discourse, now in its preamble, about how Russia, or for that matter China, need not feel threatened by the American vision of the NMD. Mr. Rumsfeld has indicated that he would demonstrate to Moscow how the proposed NMD could be consistent with the post-Cold War equation between the U.S. and the post-Soviet Russia. Gen. Powell says that the U.S. diplomacy will be fine-tuned to impress on China, among others, that the NMD, as being designed now, will not destroy their nuclear deterrence capabilities.

The geopolitical focus of the NMD debate is by and large confined to Asia and the Pacific region. The existing and potential "rogue states" as also the terrorist groups of these regions are said to be capable of plotting, either severally or collectively, against the vital interests of the U.S. and its allies or friends. Russia, a Eurasian power, and China are explicitly excluded from the list of suspects against whom the NMD could be deployed, and

the question is whether India, the largest democracy, can qualify as a "friend" under the protective wings of an NMD-armed U.S. of the future.

Now, China is often described by the East Asian strategic community as a history-harmed "unsatisfied power", while Japan is regarded as "the half-power" owing to its burden of defeat in World War II. These two, besides Russia, will form the main coordinates of any U.S. strategy aimed at a globalisation of security under its "leadership" auspices. As with the economic and political dimensions of globalisation, the U.S. will not remain unchallenged in the security-related domain of this process. Cognisant of this, Mr. Rumsfeld has already said that the U.S. could only realistically expect to try and "slow" down the process of proliferation by the individual states "determined" to arm themselves with weapons of mass destruction and their delivery systems. If, however, the new Bush administration is dreaming of protecting American "assets" in outer space and building the NMD to globalise the reach of the U.S.' sense of security, the reason is not far to seek. In a scholarly work in the late 19th century, Frederick Jackson Turner argued that the the mystique that marked the U.S.' historical expansion of its geographical boundaries would account for America's national character. Aspects of that character, as spelt out then, hold good today as well. These relate to "coarseness of strength combined with acuteness and acquisitiveness... practical and inventive turn of mind... masterful grasp of material things, lacking in the artistic (turn) but powerful to effect great ends... restless, nervous energy... dominant individualism working for good and for evil". To be seen against this framework of the American spirit are the "future visions of U.S. defence policy" as outlined for the 21st century by the prestigious New York-based, non-governmental, Council on Foreign Relations. The "visions" range across the options of a "prudent... innovative... cooperative... balanced defence" in the larger international context.

THE HINDU

1998 2001



# Marx and globalisation — I

By Gail Omvedt

HN-12

113

**T**ODAY, AS India faces the challenge of an unprecedented globalising world, with goods from Korean automobiles to Australian apples and Chinese toys coming into its markets, most of the marxists in the country are confronting it as a demon, trying to erect something like a "Great Wall" against the threat from without, though China itself has long since relegated its own to a tourist attraction. The rhetoric is moving to new heights, but opposing "liberalisation, globalisation and privatisation" has become such a mantra of the Left, often contradicted by its proponents when they are in power, that we may be excused from seeing this opposition simply as a way of maintaining and arousing its traditional trade union base.

In fact, the whole depiction of globalisation as "neocolonialism" is in many ways against the very spirit of Marx, who proclaimed the immense creative-destructive forces of capitalism with the intention not of preventing their growth, but of moving through them, going beyond history to the establishment of a socialist society.

The Communist Manifesto itself reads almost like a paean to the forces of globalisation, describing capitalism as giving "a cosmopolitan character to production and consumption in every country... In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations... The intellectual creations of individual nations become common property. National oneness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures there arises a world literature". As capitalism revolutionises the means of production and social relations, it smashes the barriers of feudalism and mercantilism everywhere, destroying old feudal bondages and old medieval certainties and antiquated dreams. Capitalism is ever-moving, ever-changing, and forces humans to face the reality of change and their own role in it: "All that

is solid melts into air, all that is holy is profaned and man is at last compelled to face, with sober senses, his real conditions of life..."

The purpose here is certainly not to celebrate capitalism, and the new forms of wage slavery replacing the old. But nor is it to demonise them or suggest that the process can or should be avoided. It is to recognise what was new and transformative in capitalist relations of production. Marx's view of capitalism was not so sim-

produce a truly wealthy existence, and second by creating the human beings, the "proletariat", who could manage this technology. The very term "destructive" in Marx often carries a revolutionary connotation, destructive of the confining, narrow, stagnation of backwardness. Capitalism was thus a necessary stage through which humanity must pass, to be undertaken as rapidly as possible and with as little cost as possible.

Further, Marx was a resolute interna-

on January 9, 1848, before the "Democratic Association of Brussels", unleashed a sarcastic, scornful attack on the hypocrisies of both supporters and opponents of free trade. Nevertheless, because he believed that free trade meant, on the whole, growth, and, "The most favourable condition for the worker is the growth of capital. This must be admitted"; his conclusion was on the side of free trade. As he put it, "in general, the protective system of our day is conservative, while the free trade system is destructive. It breaks up the old nationalities and pushes the antagonism of the proletariat and the bourgeoisie to the extreme point. In a word, the free trade system hastens the social revolution. It is in this revolutionary sense, gentlemen, that I vote in favour of free trade."

*We may be excused for seeing the Left's opposition to globalisation simply as a way of maintaining its traditional trade union base.*

ple as that propagated by some of his followers in India. He never saw it as an unmitigated evil, to be resisted at all costs. Indeed, if it came to a choice between capitalism and feudalism, or between advanced and backward capitalism, there is no question where he stood. Marx was a proponent not of maintaining old forms of production, whether idealised feudal villages or "subsistence" production; he was unalterably an Enlightenment proponent of that much-scorned word, "progress" — or what we today call "development". He saw it with open eyes, as costly, often destructive, but he hailed the creativeness in this destruction.

Behind this lay his view of the human being as a creature of tremendous potential development, a creator of productive forces and intellectual achievements. History itself, with all its tumult, unevenness, exploitation and even misery, was basically a process of increasing these capacities. The famous "growth of the productive forces" which to him lay at the basis of change, was in fact the growth of the forces of human beings itself; technology represented human capacities. Capitalism was the final stage of class society and laid the basis for socialism in two ways — first by creating the productive forces, the technology that could

nationalist; "independent" or nationally-based capitalist development as opposed to global development was never his concern. His disdain for backward feudalism and for backward and narrow nationalism, lay behind his attacks in the Manifesto on backward forms of socialism. Marx and Engels were scathing in their criticism of "utopian socialism" based on the romanticisation of small-scale producers, of "Bismarckian socialism" or the welfare state whose measures were just being introduced in Germany as a way of binding the working class, and of the "feudal socialism" of the aristocracy, which tries to rally the people behind it by "waving the proletarian alms-bag" — "half lamentation, half lampoon; half echo of the past, half menace of the future". All of these were rejected as illusory and even ridiculous. Socialism, for Marx, had to be based on a scientific and realistic understanding of the potentialities of the society of the time, not on dreams.

Somewhat surprisingly, Marx supported, not opposed, the "free trade" measures of his day. The most significant of these were the Corn Laws, which protected English agriculture. When these were proposed to be abolished in one of the most important movements of the time to open up world trade, Marx, in a speech

Thus, classical marxists opposed the destructiveness of capitalism, but never did so in a way that would maintain feudalism or earlier non-market "subsistence" forms of production; they rejected economic nationalism. Even Lenin, in his decisive "Imperialism: The Highest Stage of Capitalism", believed that the export of capital led to the growth of capitalism, not its stunting, and argued that capitalism was growing fastest in the colonies and overseas dependencies.

Imperialism was the "highest stage", because the concentration of capital and development of production it represented was the immediate stage before socialism, creating new productive forces and laying the basis for the proletarian capture of power. Capitalism for Lenin also was not simply a demon to be resisted, but rather an aggregation of opportunities for human society to move ahead.

What has been lost today in the political programme of the Left is precisely this vision of an opposition that is not simply negative but moves towards socialism, that can use and harness the immense development of human productive powers that capitalism, with globalisation, represents.

THE HINDU

1 MAR 2001

## Upgrade skills to tackle globalisation: Jatiya <sup>15/2</sup> HD-15

**NEW DELHI, FEB 14.** The globalisation problems in the Indian manufacturing and labour sectors could be tackled through a joint strategy between the Government, employers and trade unions to retrain and upgrade skills of the workforce, the Labour Minister, Mr. Satyanarayan Jatiya, said today.

Inaugurating the 37th session of the Standing Labour Committee (SLC) here, he said the country could not run away from the challenges of globalisation. "While it (globalisation) has led to restructuring and shrinkage of employment opportunities in some sectors, it has also created many new employment opportu-

nities in some sectors," he pointed out.

The vast potential of these new sectors could be tapped only by imparting relevant and specialised training and career counselling. He wanted the employees and trade unions to back up the Government's efforts.

The SLC is a joint platform of all these three groups to discuss and work out common strategies for the manufacturing and labour sectors. The session would also consider social security aspects of the agricultural labourers. All the labour department secretaries and Labour Ministers from the States are also attending the session. — UNI

THE HINDU

# Need to make globalisation more inclusive, equitable

By MARK MALLOCH BROWN

Globalisation's honeymoon is over. From Davos to Delhi there is growing agreement among plutocrats and protesters alike that while more open markets and freer trade have generated unprecedented wealth, the benefits have so far been very unevenly distributed.

More than 50 countries, ranging across every corner of the globe, are now poorer than they were a decade ago. Some have seen their economies steadily shrink for decades. And far from bridging the gap, new technologies are currently exacerbating the problems. Barely two percent of Asians have access to the Internet compared to nearly half of all North Americans.

Recognizing these inequities, last September's UN Millennium Assembly of 160 plus world leaders put the goal of halving the proportion of people living in extreme poverty — defined as living on the equivalent of less than \$1 a day — by 2015 at the heart of the global agenda for the 21st century. And they also mapped out a way of achieving it: not by rejecting globalization, but by making it more inclusive and equitable. Mitigating the costs for developing countries while spreading

the rewards much more widely.

That is not a pipe dream. Many countries all over the world have already achieved comparable gains in poverty eradication in large part through a broader embrace of the global economy. In East Asia, the proportion of extremely poor people has plummeted from 28 percent to 15 percent in just the last 10 years.

Indeed, a rapid and sustained improvement in South Asia alone, where currently 44 percent of those extremely poor people live, would almost be enough to meet the global target. But so far progress has been too slow. How can we accelerate it?

While continued economic reform is one part of the answer, we know it is not enough: 33 of the world's 49 poorest countries have undertaken significant structural adjustment reforms over the past decade but their performance has been worse in both relative and absolute terms than other countries.

If we really want to bring the poor from the margins to the mainstream, we also need fundamental changes at both the global and national level that incorporate a special focus on Africa, the region most at risk of failing to meet the targets. And unless we ensure that the poor's growth in income

is accompanied by more opportunities for women, a cleaner, more vibrant environment, and better protection against devastating natural disasters like the recent El Salvador and Gujarat earthquakes, it will be a hollow victory. First, we need a more equitable global trading environment, driven by a new trade round that makes the needs of developing countries an overriding priority. It is simply unacceptable that developed countries continue to retain

key trade barriers in areas like agriculture, textiles and steel that cost poor nations billions of dollars more every year in lost revenue than they ever receive in aid.

Second, we must also revitalize those aid flows, which declined through the 1990s before stabilizing slightly over the past two years. It is true that overall private capital flows are now much more important than public ones for developing countries. But currently over 80 percent of that money goes to just 10 countries. For the vast majority of developing nations, aid remains an essential precondition for broader

investment and reform.

What is needed now is a fundamental rethink on how aid can be raised and used strategically as a supplement and catalyst for broader development goals in the Millennium Declaration. That is exactly what the new high level UN panel under the chairmanship of former Mexican President Zedillo and including former Indian Finance Minister Manmohan Singh and former US Treasury Secretary Robert Rubin, is now starting to do.

Third, we must put the need for faster, more effective global technology flows to poor countries at centre of both trade and aid policies. That is particularly important in areas like pharmaceuticals — especially given the rapid spread of HIV/AIDS in some South Asian countries — and Information and Communications Technology.

And these need to be supplemented by better application of those technologies to developing country needs and constraints. Bangalore has set a shining example to the world on how to grow a dynamic, indigenous technology sector. But we must now take

the next steps, here and across the developing world, to unlock fully the tremendous power of ICT in areas like education, healthcare delivery, agricultural productivity and financial services for the poor. Because there is no single tool with greater potential to help developing countries leapfrog ahead in the 21st century. But even as we set about building an international system that seeks to temper the gales of globalisation in these key ways, we cannot ignore the fact that it will be of no help to countries that continue to neglect problems at their own doorstep.

Lasting success in human development and poverty eradication depends first and foremost on dynamic, transparent and accountable systems of national and local governance. And while these need to be anchored in democratic systems of government, their scope is much wider, encompassing efficient regulatory authorities, effective and impartial judicial services and other institutions that are able to provide real protections for and opportunities to rich and poor alike.

That is key to ensuring both that countries can access benefits of global economy and that the economic rewards that follow are translated directly into real improvements in the

lives of the most destitute. The pioneering work in many parts of India on initiatives such as public interest litigation, open hearings on resource disbursement and more direct parental involvement in schools, show how the poor can both get involved and get results.

But all this is only a roadmap. UNDP's job is to use our position as a trusted friend and partner with Government, civil society and the private sector to help build national consensus and provide strategic advice and support on how best to get there.

That is something we are already doing in India in areas like helping the Government to prepare a national sustainable energy policy and strengthening women's rights. And we are moving forward on new initiatives such as the Memorandum of Understanding we signed last week with the CII to promote greater Corporate Social Responsibility.

Because only if national and global reforms move forward together will the world be able to meet the Millennium Declaration's commitment to ensure that "globalization becomes a positive force for all the world's peoples."

• Mr Brown, UNDP Administrator, is on a visit to India.

## TOP PRIORITY

- More equitable global trading environment
- Revitalizing aid flows
- More effective global technology transfer

11-11

WAGW

# New rural poverty eradication programme launched

**HT Correspondent**  
New Delhi, February 9

**T**HE FIRST Delhi Sustainable Development Summit ended today, with the feeling gaining ground that the job of amplifying the voice of developing countries in the world-wide debate on eradication of poverty through sustainable development had been advanced somewhat.

Pitching high for a commitment by developed countries to provide resources for the development of the South, especially by the United States, which had also profited from the gains of colonialism in its development, Director of the Tata Energy Research Institute (TERI), the organisers of the summit, Dr

R.K. Pachauri said there was increasing evidence that the civil society in the North, and more specifically in the US, appeared to be favouring such actions by their governments.

While multinational corporations, especially those which were in the energy sector, were already acting in order to broad-base their fields of activities, diverting R&D increasingly into non-

conventional areas, it was also time for developing countries to pitch in with their own contributions towards achieving sustainable development.

It was with this aim in view that the TERI announced today the launch of a major initiative, \$ 10 million INSTEP Global (Integrating New and Sustainable

required."

Describing Prime Minister Atal Bihari Vajpayee's proposal for levying an international tax on capital flows between developed countries and all capital repatriations from developing countries for financing a Global Poverty Alleviation Fund, made at the inauguration of the summit, as an excellent idea, Dr Pachauri said that the real issue of contention would be

how to ensure an equitable distribution of such a fund.

Referring to the observation of the Inter-governmental Panel on Climate Change that in the 21st century while the US would stand to lose only 0.5 per cent of its Gross Domestic Product due to climate change, a country like India would lose heavily to the

extent of 5 per cent of its GDP, he said the biggest failure of the international community clearly was in the sphere of climate change.

"India has a stake in ensuring that the Kyoto Protocol is signed," he added. "The world has to move from the fossil fuel economy to a non-fossil fuel economy. The developed countries have to allocate funds for achieving this which must be passed on to developing countries," Dr Pachauri said.

Unless this was done, developing countries would not be able to exploit their renewable energy resources, he pointed out, which would likewise continue its impact adversely on their achieving sustainable development and eradication of poverty.

## Sustainable Development Summit

# Globalisation & Indian tradition

HD 12 612  
By Gail Omvedt

**T**HE "CHALLENGE" of globalisation is a frequently-heard theme in India today. Ironically, the challenge does not now seem to be coming from the U.S. or other imperialist countries — rather it is now "Chinese aggression", meaning consumer products invading markets, rather than soldiers invading borders. Ironically also, whereas in the early 1990s the fear was of Indian manufacturing losing out, now it is agriculture, the least globalised sector in the last decade, that is thought to be in danger. It might also be added that China, which is now thought to be the greatest part of the challenge, achieved its greatest progress in agricultural productivities, in the development of small-scale village industries, and in the reduction of poverty in the seven-eight years after 1978, when economic reforms centered on agriculture.

There are obviously many issues to consider. However, in doing so it should help to remember that "globalisation" is part of Indian tradition. Two thousand and more years ago, India was linked to both Rome and China by trade, and considered a land of wealth and fine products. Buddhism spread as a missionary religion, to central Asia, South East Asia and China. Tamils sallied forth to bring Saivism and Vaishnavism as well to South East Asia. Trade goods went along with these. Culturally, the tendency to characterise all foreigners and foreign products as "mleccha" was countered from the very beginning by the trend of offering the best of Indian culture and products to the world. Even as late as the 17th century, it was British manufacturers who were afraid of and opposed to free trade because of the competition from fine Indian cotton cloth, while merchants supported it.

Colonial rule was a turning point for two reasons. One is that the colonial power did not so much force free trade as take over the regulation of Indian trade for the service of British manufacturers, grabbing a market for free entry while levying excise duties on products manufactured in India. But along with this was the tech-

*The challenges of globalisation cannot be met by further protectionism or other means of closing off the country.*

nological threat, the great productivity and growing sophistication of consumer goods made possible by the industrial revolution. These together devastated many of India's weaving communities, while British taxes devastated the peasantry.

This led to the first "modern" debate on globalisation in the 1880s. Here again two trends emerged. The nationalist elite formulated at that time the ideology of swadeshi — ban foreign goods from India's markets, buy and use Indian-made products only, and build a national solidarity on this basis. The "economic nationalism" of the elite had its beginnings at this time, and swadeshi was its theme.

This was not, however, unopposed. Generally speaking, the non-Brahman and Dalit movements were suspicious of swadeshi from the beginning. Writing in "Shetkaryaca Asud" in 1882, Jotirao Phule saw the proclamation of nationalism as only a cover for maintaining the social and religious superiority of the upper castes. He argued that the masses should not fall prey to "those stalwarts of purity (who) have been hiding their sword of religion under the guise of being great lovers of swadeshi, and telling the Shudras, Parsis and Muslims through their books, newspapers, Sabhas and similar methods that they should put aside all grumbling about the hierarchies and distinctions among those in the country and become united; and without becoming one, this unfortunate country will never make progress". Phule also believed that from the time of what he believed to be the Aryan conquest, closing off the country and preventing exchange with "outsiders" was one method of maintaining elite control.

His was, however, not a simple conspiracy theory. He was quite aware of the danger posed by a flood of foreign products. But he offered a different solution. This broadly had two thrusts — first, mass

education to create a mass of people capable of dealing on their own with ideas and products worldwide. Thus, he criticised the British for not spending the "local funds" they collected on setting up schools throughout the villages, and himself became one of the early founders of schools for both girls and untouchable boys. He also, as early as the 1870s, urged compulsory, universal primary education — a promise still not fulfilled in India.

Second, Phule wanted access to up-to-date technologies. The philosophical basis of this was his view of humanity — what differentiated people from animals, he believed, was intelligence, innovativeness, creativity, which made it possible for them to change (the word "progress" was not used in Phule's time, but he would not have despised it!). Due to their ability to harness invention and innova-

*Education and modern technologies — including the controversial areas of biotechnology and irrigation — have to be truly universalised.*

tion to production, America and Europe had progressed; to make this possible in India education, but especially technological education which made accessible new innovations, should be provided. Thus the children of artisans, he thought, should also have special schooling, designed to unite their traditional techniques with the latest innovations, along with providing basic skills in literacy.

These themes remained. Later Dalit leaders such as Iyothee Thass in Tamil Nadu and the Namashudras in Bengal opposed the swadeshi campaigns of the early 20th century on much the same grounds as Phule did; they also put their hopes in mass education. Non-Brahman leaders in Tamil Nadu questioned the orientation of education in India to profes-

sional and literary skills, noting that in Japan, in contrast, there was a much higher proportion of technical schools. Non-Brahman movements generally included universal primary education as a major demand.

In many ways, all of these themes appear remarkably "modern". Phule's orientation is like that of Amartya Sen: globalisation holds its dangers, but will have positive benefits for an educated and healthy population whose capacities are developed. Up to now, the productivities of sectors such as agriculture in India have been among the lowest in the world, caste-based "indigenous knowledge" has by and large remained unlinked with innovations and even over 50 years after Independence, India has still not achieved universal primary education and remains far behind other countries in Asia — especially as regards women.

Today, the challenges of globalisation cannot be met by further protectionism or other means of closing off the country: the old "Nehru model" of development

has resulted in backwardness and its continuation today would only prolong backwardness. India has already shown what its educated, information-savvy skilled workforce can do in such areas as computer technology; the same skillful use of markets and people has to be extended to the areas such as agriculture and simple consumer goods which still employ the largest numbers of people.

Education and modern technologies — including the controversial areas of biotechnology and irrigation — have to be truly universalised. The future is not dark, but it is time to stop romanticising the backward aspects of the past, and learn from the equally Indian tradition of using globalisation.

# PM moots global poverty alleviation fund

By Our Special Correspondent

NEW DELHI, FEB. 7. The Prime Minister, Mr. A. B. Vajpayee, today mooted the idea of a global poverty alleviation fund through international levy on capital flows between developed countries and all repatriations from developing nations.

Inaugurating a three-day Delhi Sustainable Development Summit organised by the Tata Energy Research Institute on 'Poverty: The global challenge for Governments, industry, scientists and civil society' here, he said such a fund could be used for liquidating all public external debts of low income countries, assisting poverty alleviation programmes and facilitating the enhancement of skills and increased access to finance by the poor.

Mr. Vajpayee said the fund would also help in "placing technologies that save lives, increase food yields, generate renewable energies for rural areas and facilitate the adoption of clean production in the public domain for use by developing countries."

Emphasising that the multilateral and bilateral development agencies should enhance their resources, the Prime Minister said this would call for a far higher level of political will and commitment on the part of industrialised countries.

While asking the developed countries, in particular, to cooperate in the speedy conclusion of international agreement on climate change, he said it should be realised that it was essential to substantially increase the re-

sources of the developing countries to remove global poverty and ensure sustainable development.

Technology — especially information technology — had created a massive growth in productivity. IT had also proved to be revolutionary for education, health care, and sustainable development. However, unequal access had given rise to legitimate fears of a digital divide.

"We need collective global action to speedily bridge the gap between the IT haves and have-nots. In this context, India is ready to offer its expertise to others. We are also willing to learn from others' successful experiences."

Calling for greater global cooperation to deal with natural calamities, Mr. Vajpayee said the poor always lost more than the rich in such disasters. Information technologies that could help prevent these natural calamities, contain damage and facilitate better relief management, rehabilitation and reconstruction should be available to all the countries, he said, acknowledging the generous help extended by the world in the wake of the devastating earthquake in Gujarat.

Referring to the debate on globalisation and sustainable development, Mr. Vajpayee said for a meaningful and effective global action, "we must first recognise the magnitude of global inequities." One-sixth of the world's people received 78 per cent of world income — \$ 70 a day. As against this, three-fifth of the world's people living in the poorest 61 countries received only 6 per cent of the world's income, which was less than \$ 2 a day.

The benefits of technology, trade, and other opportunities had spread unevenly. "As a result, the rate at which poverty is being eradicated has not kept pace with the rate at which the rich are getting richer."

Speaking at the summit, Mr. Maurice Strong, who headed the Rio-Summit, said environmental leadership was important to India in the global arena since environment and sustainable development were integral to poverty eradication. Since India would become the 4th largest global economy in the next 50 years, it was imperative that the poor become beneficiaries of economic development, rather than its victims.

In his opening remarks, Dr. R. K. Pachauri, Director, TERI, said his organisation was initiating several activities to develop and evaluate new technologies targetting poverty reduction, especially in rural areas.

## Eradi panel submits report

By Our Special Correspondent

NEW DELHI, FEB. 7. The V.U. Eradi Committee on taxation of insurance companies submitted its report to the Finance Minister, Mr. Yashwant Sinha, here today. The Committee is understood to have suggested a level-playing field for the public and private sector insurance companies, and the Finance Minister said the recommendations would be considered and could find a reflection in the coming Union Budget.

THE HINDU

- 8 FEB 2001



# Well-being and the world today — 1

By S. Subramanian

IN ORDER to be able to assert, with the poet Browning, that 'all's right with the world', one would have to take a narrowly restricted and selective view of the world. For, judged according to certain elementary indicators of deprivation, the general picture of the world that emerges is one of extreme misery in large parts of it and considerable comfort in small parts.

There are many different ways in which deprivation can be measured. I shall adopt a particularly simple approach to that problem here. Deprivation, for our purposes, will be summarised in an index called the *Capability Failure Ratio* (CFR, for short), a version of which has been jointly developed, elsewhere, by my colleague Manabi Majumdar and myself, and which is akin in spirit to Mahbub ul Haq's 'Human Deprivation Measure' and the UNDP's 'Human Poverty Index'. The CFR is a straightforward average of the headcount ratios of deprivation in three dimensions of human achievement: those of knowledge, child survival, and a decent, income-related standard of living. These three headcount ratios are, respectively, the adult illiteracy rate, the under-5 mortality rate, and an income-poverty ratio that is derived as follows. First, I postulate an international poverty line which I take to be one-half of the global average per capita Gross Domestic Product (GDP), and I certify all those countries to be income-poor which have a per capita GDP less than the poverty line. The income-poverty headcount ratio is then defined to be simply the proportion of a poor country's population that would have to be eliminated so that its average per capita GDP may rise to the poverty line: this would correspond to the 'man overboard' solution to the familiar 'Life-Boat Ethics Dilemma'. (For a non-poor country, the income-poverty ratio will be taken to be zero.)

The values of the CFR's components have been computed for a set of 174 countries, which together are taken to constitute the 'world'. (These are the countries for which the UNDP's annual *Human Development Report* (HDR) furnishes information on their 'Human Development Indices'.) The estimates are for the year 1997. Data on adult illiteracy are available in the HDR for 1999. Cross-

country data on under-5 mortality can be found in the UNICEF's annual publication *State of the World's Children, 1999*. To calculate the country-wise income-headcount ratios of poverty, resort has been had to country-wise data on per capita GDP, measured in 'Purchasing Power Parity (PPP)' dollars, again available in the HDR, 1999. What do the numbers suggest?

The first component of the Capability Failure Ratio is the adult illiteracy rate, whose global average value, at around 21 per cent, is less than flattering. This poor average performance is compounded by large dispersions around the mean: the adult illiteracy rate is as low as 1 per cent

in 30 countries, and in excess of 50 per cent in 26 countries. Grouped data bring out the contrasts more starkly, with figures, for Sub-Saharan Africa and the Arab States, of nearly 42 per cent; 28 per cent for Asia and the Pacific; nearly 13 per cent for Latin America and the Caribbean; and just 1.3 per cent for the Industrialised Countries.

The second component of the CFR is the under-5 mortality rate, which is widely known to be a crucial indicator of the socio-economic well-being of any society. The global average child mortality rate is 85 per one thousand live births, which is a less than impressive record of achievement, unless one is content with the performance of countries like Kenya and Gambia, each of which has a mortality rate of 87 per one thousand live births. The average conceals wide inter-country differences, ranging from a child-mortality rate of 4 per thousand live births in the Scandinavian countries to a shocking rate of 320 for Niger and 316 for Sierra Leone. Indeed, Sub-Saharan Africa as a whole, with a figure of 169 child deaths per thousand live births, exceeds the figure for its nearest 'competitor', Asia and the Pacific, by a factor of 200 per cent; and that for the Industrialised Countries, by a factor of 2,500 per cent. Such disparities are clearly seriously gross.

The third component of the CFR is the income-headcount measure of poverty, whose derivation has been explained earlier. The global average per capita GDP is PPP\$ 6,300; I shall pitch the international poverty line at PPP\$ 3,000, which is less than one-half of the world's mean. On this basis, it turns out that 68 countries, accounting for 39 per cent of the world's countries, are poor. The poverty headcount ratios for these countries range from 0.33 per cent for Cape Verde to a staggering 86.33 per cent for Sierra Leone. The polarities become apparent from a consideration of grouped data. Sub-Saharan Africa has an income-poverty ratio in excess of 60 per cent; Asia and the Pa-

deprivation, rendered significantly worse by its highly unequal distribution across countries.

While on the subject of deprivation and disparity, it is instructive to take a closer look at global poverty and inequality in the dimension of income. As we have already seen, there is a great deal of income-poverty in the world today. What can one say of the international *burden* of poverty, that is, of the relative difficulty or otherwise of alleviating poverty through redistributive effort? It would appear that the burden of poverty is very small in relation to the magnitude of poverty itself. Illustrative of this is the fact that the aggregate shortfall from the income needed to escape poverty, for the set of 68 poor countries I have alluded to earlier, is only around 16 per cent of the combined GDP of the Southern European and Industrialised groups of countries (the only groups without a single poor nation in their lot). This is a testimony to the very large 'slack' available in the world, and which arises from the considerable levels of global inequality it accommodates.

There are many ways of measuring income inequality, and while I do not report on the results here, all the measures are united in revealing very large levels of global income disparity. Nearly 30 years ago Amartya Sen wrote a book called *On Economic Inequality*, which he dedicated to his daughters 'with the expectation that when they grow up they will find less of it no matter how they decide to measure it'. But today, no matter how one measures global inequality, one ends up, again and again, finding a great deal too much of it. What makes it worse is that, by all accounts, there has been more and more of it to be found over time, as a perusal of the UNDP's *Human Development Report* over the decade of the 90s will testify.

(The writer is on the faculty of the Madras Institute of Development Studies. This article is based on the text of an invited paper presented at a conference on 'North-South Relationships in the World Economy in the 21st Century: Inequalities, Well-being, Opportunities', held at L'Aquila, Italy, in September 2000. It was organised by the University of Rome 'La Sapienza'.)

***The picture in a nutshell: a high rate of global deprivation, rendered significantly worse by its highly unequal distribution across countries.***

THE HINDU

- 8 FEB 2001

# Davos Divide

## Globalisation Faces a Go-slow

By VIKAS SINGH

SO much fuss is so regularly kicked up over globalisation that it's easy to believe it is a modern-day phenomenon. In fact, globalisation has been around for at least a century, as is demonstrated by John Maynard Keynes' *The Economic Consequences of the Peace*. Writing about life before World War I, Keynes observed: "The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit; and reasonably expect their early delivery upon his doorstep. He could at the same moment adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend."

In short, it was a time of great hope, and it seemed nothing could go wrong. Unfortunately, lots of things did. The Great War ravaged economies, and forced country after country to retreat into protectionism. The Great Depression pushed free trade firmly onto the backburner. It was only after World War II ended that serious efforts once again began to promote greater integration of the world economy. But even then, the emergence of hostile blocs proved a serious impediment.

Sometimes, looking back can help one look ahead. That's certainly true in this case. Contrary to what many of its supporters believe — and opponents fear — globalisation is neither inevitable nor irresistible. It has been turned back once, it could yet happen again. One caveat: the globalisation of infotainment — through 24-hour news channels, through the Net, through ubiquitous Hollywood superstars — is a fait accompli. But the elusive dream of one world, one market could yet be shattered again as the world economy slows down.

Of course, the present twinges are just a pale shadow of the massive economic pain of the 1920s and 30s. Still, the forces against globalisation are mobilising. Indeed, so well concerted is the opposition internationally that some observers point out wryly that it is itself the best example of globalisation.

It doesn't help that this year's meeting of the global glitterati at Davos was among the most down-

beat in recent years. It is an unfortunate, if understandable, truth that people tend to be generous when it seems there's enough of the pie for everybody. The moment it starts to shrink, though, so does the spirit of cooperation.

At a time when mega corporations are laying off thousands of workers, the bogey of well-paying jobs being exported to Third World countries is a particularly frightening one. So don't be surprised if the West becomes increasingly strident about issues like child labour and environmental standards. Inevitably, that will infuriate developing nations, which view such arguments as an excuse to shut out their exports.

The simmering was visible at Davos. The rich countries insisted on a new trade round this year to open up markets further. This

policies to lure away India's best and brightest.

Clearly, positions are hardening on both sides. There is a real chance that the rhetoric could escalate, leading ultimately to a bitter North-South divide that could slow down, if not stall globalisation. If that is to be avoided, then sensible individuals will have to make the voice of reason heard in both camps.

Fortunately, there seems to be a willingness to do so. In an article published in the *International Herald Tribune*, Nicolas Stern, chief economist and senior vice-president of the World Bank, called upon rich countries unilaterally to open their markets to duty-free imports from the 48 least developed countries. According to Mr Stern, this would be in keeping with enlightened self-interest. "A small number of people in high-income countries would face adjustment costs, but the vast majority would benefit from wider choice and lower prices."

Mr Stern pointed out that several countries had reduced poverty by liberalising their trade regimes. But existing trade barriers have limited their gains. In fact, recent research by the World Bank has found that trade barriers imposed by high-income countries, along with agricultural subsidies, have cost developing nations much more in lost export opportunities than the foreign aid they receive each year.

Mr Stern's is a valid point. But while welcoming it, India should also rethink its stand on what Mr Sinha described as 'human cherry-picking'. That complaint sounds uncomfortably like the old breast-beating about brain drain. Both slogans reek of an unwillingness to recognise the benefits of such migration for India, as well as a refusal to introspect about why this country is unable to hold back its finest talent.

Instead, India should perhaps ask why immigration policies should discriminate against less-skilled workers. In an ideal world, all goods and services would flow freely between borders, unless they were hazardous in nature. That's the way it should be for the labour market as well.

Ultimately, there's no getting away from one fact. If globalisation is to proceed smoothly, then its benefits must flow both ways. The WTO is meant to be the World Trade Organisation, not the Western Trade Organisation. If we can ensure that it stays that way, the world will be a better place for all of us.

### IN BRIEF

- Globalisation is neither irresistible nor irreversible
- The global economic slowdown could see a return to protectionism
- Rich countries should unilaterally open up their markets
- If globalisation is to succeed, it must be a two-way street

sparked off protests from the Third World that promises made in the Uruguay Round, which concluded seven years ago, still haven't been implemented. Brazil's agriculture minister pointed out that western agricultural subsidies have soared since the Uruguay Round to about \$1 billion a day, ensuring that farmers in poor countries will never be able to access these markets.

It was an impressive point, but it made little impact. World Trade Organisation director-general Mike Moore conceded that the playing field was "no more level than the earth is flat", but insisted there was no alternative to a new trade round.

Naturally, India wasn't about to be left out of the debate, so finance minister Yashwant Sinha duly flayed 'north-controlled' globalisation. The theme of Mr Sinha's song was threefold — developed countries protect their markets at will; they insist that developing countries curb their growth in the name of protecting the environment, but themselves inflict the maximum damage to it; and they are constantly fine-tuning their immigration

# Well-being and the world today — II

By S. Subramanian

**I**N THE first part of this two-part article, I dealt with certain findings, relating to aspects of global deprivation and disparity, in the space of outcomes. In this the second part, I consider certain *processes*, from a global perspective, that must be considered to be salient factors in any explanation of the unhappy outcomes reviewed earlier.

A first major phenomenon demanding attention is that of *colonialism*. It is no accident that of the 68 poor countries that were identified in Part I of this article, as many as 54 (making for a proportion of 79 per cent) have had an earlier history of colonial rule; and the average age from independence of these 54 countries is just over 51 years. These facts should serve to guard against juvenile celebrations of Henry Ford's profundity regarding history being bunk.

A second major issue of relevance is that of *international trade*. Professor E. N. Srinivasan has written a richly informative monograph (*Developing Countries and the Multilateral Trading System: From GATT to the Uruguay Round and the Future*; Oxford University Press, Delhi, 1998) which is a vital sourcebook on the subject. The evidence he has reviewed on the history of the first seven rounds of multilateral trade negotiations (MTNs) presided over by the General Agreement on Tariffs and Trade (GATT), from Havana 1947 to Tokyo 1979, is compatible with an interpretation which he provides — one which, I suspect, many of his readers will find wholly convincing, though the author himself, strangely, appears to have difficulty in wholeheartedly accepting it — namely, that 'in sum, the GATT was unfriendly, if not actively hostile, to the interests of developing countries.' The eighth, or Uruguay, round of MTNs which commenced at Punta del Este in 1986 and wound its tortuous way to Marrakesh (Morocco) in 1994, and paved the way for the birth of the World Trade Organisation (WTO) in 1995, marked a new and particularly aggressive assertion of developed country interests. John Croome has provided a comprehensive account of the eighth round in his book *Reshaping the World Trading System: A History of the Uruguay Round* (WTO, Geneva, 1995). In the matter of market access; of liberalisation of trade in natural resource and tropical products; of bringing

agriculture within the discipline of GATT; of the pace attending the dissolution of the GATT-inconsistent bilateral arrangements governing trade in textiles and clothing; of the import of trade-related intellectual property rights, trade-related investment measures and trade-in-services within the ambit of negotiations, of securing safeguards against unfair trade practices such as anti-dumping measures; of facilitating the impartial prosecution of dispute-settlement; of linking trade to environmental and labour standards; in respect of all of these matters, it is hard to resist the inference that while power will continue to

the richest countries of the world, is a piffling 0.7 per cent. The substantive question 'Am I my brother's keeper?' must find an answer which is located outside of the province of simple sums. The combined burden of debt-servicing and military expenditure, and the way in which public spending in these unproductive areas crowds out desperately needed resources for social sector spending, becomes clear from a reading of selected data distributed through the HDR, 1999. Here is information on the ratio of per capita spending on debt-servicing and military-related matters to per capita spending on education

and its impact on education ('Education and Adjustment: The Experience of the 1980s and Lessons for the 1990s') reveals that in a number of African and Latin American countries undergoing structural adjustment in the 1980s, education was adversely affected, in terms of both supply-side and demand-side effects. Given the instrumental importance of education for other forms of human well-being, the costs of a certain sort of 'reform' must be judged to be very steep indeed.

This brings us to our fifth issue: might not *international aid* be the solution to all these problems? As far back as 1969, a Commission headed by Lester Pearson persuaded donor countries to commit 0.7 per cent of their GNP to aid. A look at the performance of the 21 member countries of the OECD's Development Assistance Committee suggests that, with the exception of the Nordic countries, the 0.7 per cent recommendation has been observed only in the breach. Calculations based on data from HDR (1999) suggest that if the entire Overseas Development Assistance received by different groups of countries in 1997 were to be made exclusively available to the 68 income-poor countries of the world, then the average annual aid received by a member of this group of countries would work out to \$18.27; or a dollar fifty-two cents per month; or (assuming 30 days to a month and resorting to more sordid division) to five cents a day.

The above review of outcomes and processes suggests that a developing country is best advised, despite all its debilities, to look to itself and other similarly-placed countries, in order to overcome its deprivations. For one thing, there is, judging from the evidence, little realistic prospect of the North coming to the aid of the South; and there is much to be said for South-South cooperation. For another, the opportunities that reside in the unfulfilled potential of fair, reasonably egalitarian, and democratic internal governance need urgently to be exploited. In the specific context of India, I should like to submit that the means to realising the promise of what Amartya Sen has called development as freedom does not reside in lynching missionaries and demolishing mosques.

(Concluded)

***A developing country is best advised, despite all its debilities, to look to itself and similarly-placed countries in order to overcome its deprivations.***

work for the North, the rules have begun to work against the South.

A third issue of consequence is the *international debt burden* borne by developing countries. By any reckoning, a country should be seen to be in a poorly debt-sustainable situation if the ratio of the present value of debt to the export of goods and services is in excess of 200 per cent. World Bank data for 1996 suggest that there are 42 countries in this state of indebtedness, of which, significantly, 25 belong to Sub-Saharan Africa. Further, one finds that 28 of the 42 most deprived countries, in terms of the Capability Failure Ratio (CFR) reviewed earlier, figure also in the list of 42 heavily indebted countries. While the debt burden of poor countries is a major brake on their development, it is instructive to ask what sort of burden a write-off of these debts would constitute for the richer nations. To get things in perspective, consider the set of acutely poor nations, defined as those with a per capita GDP which is less than PPP\$ 1,500 (which is a quarter of the global average per capita GDP). There are 35 countries in this league. For 34 of these countries taken together, and on which data in HDR (1999) are available, it turns out that the combined ratio, in 1997, of external debt (ED) to Gross National Product (GNP) is cripplingly high, at 82.3 per cent. But the ED of these same countries taken together, as a proportion of the combined GNP of 17 of

and health, in 1997, for a sample of six developing countries. India: 125 per cent; Croatia: 141 per cent; Uganda 159 per cent; Pakistan 285 per cent; Nigeria: 370 per cent; and Indonesia: 453 per cent. Debt and strife are an effective recipe for keeping knowledge and good health out of the reach of a country's citizens.

To the issues reviewed above must be added a fourth important one: that of *adjustment*. From towards the end of the 1970s, and into the 1980s and the 1990s, a number of Sub-Saharan African, Latin American and Caribbean, and Asian countries faced unprecedentedly harsh economic crises arising from a variety of causes. The twin, Bank-Fund remedies for these crises were a standard package of macroeconomic stabilisation and structural adjustment. The aim of the first measure is to correct macroeconomic imbalances by dampening demand, and to set the scene for structural adjustment policies to work out the longer-term 'reform' outcomes of efficient resource allocation, liberalisation, recovery, and growth. Giovanni Cornia and Frances Stewart, in their work on 'Country Experience with Adjustment' (1987), suggest that in six of the ten countries studied by them in the 1980s, macro-balance was secured at the cost of welfare in three countries, welfare was secured at the cost of macro-balance in one country, and both suffered in two countries. Stewart's (1994) subsequent work on adjust-

THE HINDU

79 FEB 2001

Instead of benefiting from globalisation, India is on the verge of becoming one of its victims

# Imminent crisis

BY PREM SHANKAR JHA

IN 1996, in what is almost certainly the best book written so far on India's economic development, Vijay Joshi and I.M.D. Little pointed out that India's attempt to develop within a closed, command economy gave it not only one of the slowest growth rates in the world, but also development that was basically unsustainable. This resulted in the country experiencing no fewer than five foreign exchange crises, in 1957, 1966, 1974, 1980 and 1990.

In each case, a precarious external balance, made possible only by very slow economic growth and a heavy reliance on bilateral and multilateral foreign aid, was disrupted by an exogenous shock to the system. In each case, Indian policy-makers looked for immediate remedies and made no attempt to rectify the root cause of the imbalance — an inward-looking economy of man-made shortages that inflated domestic profits and robbed producers of any incentive to export.

In 1991, the sweeping reforms made by Manmohan Singh and the rhetoric that accompanied them suggested that India had finally learned from its mistakes and was leaving the command economy behind. But 10 years after those reforms, it is clear that the inertia of the bureaucracy and the political system has triumphed once more. As a result, India is moving towards what could be its sixth foreign exchange crisis.

The foreign exchange reserves have topped \$40 billion, but the entire amount and more consists of borrowed money. For India has not recorded a balance of payments surplus in even a single year since the reforms. Most of this money could leave the country at short notice. In the end of March 2000, India's 'vulnerable' foreign exchange liabilities amounted to more than \$36 billion. This high ratio of vulnerable liabilities to foreign exchange assets is what lies behind the inordinate nervousness of foreign exchange markets.

In 1995, twice in 1998, and again in 2000, speculative flights from the rupee forced the Reserve Bank to cast all other considerations to the wind and raise interest rates sharply to defend its value. But the experience of the UK (1992), Mexico (1994), Thailand (1997), Russia (1998) and Brazil (1999) have shown that interest rate hikes only work to a point. The longer they postpone a crash, the sharper it is when it comes.

The external shock that might start the descent into another crisis could come from another conjunction of unfavourable developments — the removal of all remaining quantitative restrictions on imports on April 1 and the growing signs of a recession in the US economy. Previous relaxations affected the import of capital goods, raw materials and components. These imports were linked directly to increases in industrial production and, more importantly, to exports. They did not, therefore, destabilise the balance of payments.

The 715 items on which QRs will be lifted in April are consumer goods. Imports will not cause any corresponding export. They will displace domestic production and employment, especially in the small and medium industries. The onset of recession in the US will not only make export growth decline, but could also cause a devaluation of the currencies of Southeast Asia and China. China is vulnerable and could trigger devaluations in the rest of Asia.

India finds itself in this precarious position because it has not been able to achieve the most important goal of economic reform — to put export growth on a sustainable base. Today, no developing country can do this without becoming a part of the global network of transnational corporations. The reason is that TNCs now control two-thirds of all world trade: one-third among their branches and the other third with independent companies with whom they have partnerships.

Despite 10 years of crawling liberalisation, India remains almost completely outside this global network. Outside software, only a handful of TNCs have even tried to make India a part of their global production system. As a result, while foreign investors in China have exported on an average 45 per cent of their output, and its high technology exports have grown between 1980 and 1995 at almost twice the pace of total exports (28 per cent against 15 per cent), TNCs have come to India

mainly to exploit the local market, and export less than eight per cent of their output.

TNCs have bypassed India because it is not an investment-friendly country. Company after company has been attracted by its familiarity with English, its well-developed financial and legal structures and its cheap, trained labour force, but has been turned away by India's 30 per cent peak power shortage, its primitive roads, its jammed harbours and inadequate airports.

All of these stem from the progressive bankruptcy of the State — a bankruptcy reflected in the 10.5 per cent fiscal deficit. Till the deficit is brought down, not only will the infrastructure crisis not abate, but massive Government borrowing to finance consumption will continue to depress savings and push up interest rates.

High interest rates will continue to crush investment, prolong stagnation and prevent the expansion of the tax base of the economy, and perpetuate the deficit. Yet, 10 years have gone by without the faintest sign of consensus among political parties and between the Centre and the states that if they do not curb their unscrupulous greed for power, they will all perish together in a rising sea of misery.

Reform has also remained far from complete in both the product and factor markets. Till today, the production of more than 800 product groups remains reserved for the small scale sector. These are precisely the products in which foreign investment first came to China and Southeast Asia, and is going to Vietnam and Mauritius today. These are also the products that China first began to export.

Had these sectors been dereserved in stages over the last 10 years, the country would not have faced the shock that it will face when high cost and technologically obsolete products have to face the avalanche of world quality Chinese and Southeast Asian consumer goods.

A second area in which reform remained incomplete is foreign trade. The ban on imports of con-

sumer goods meant that over a vast range of manufactured products' profit margins in the home market remained higher than on exports. This increased the lure of the home market for foreign investors and robbed Indian producers of the incentive to make the leap into the world market. Today, this high cost domestic sector also faces the fury of global competition without having been given the chance to adapt to it in gradual stages.

The most costly failure is the lack of reform of the market for factors of production — labour, land and capital. A decade after the reform process began, it is still not possible to lay off workers at will. Because of state Government interdictions, it is difficult to sell off a plant, sell factory land or to shift one's plant out of the centre of a city to a rural or peripheral location, either to trim costs, raise capital or finance modernisation. It is still virtually impossible to close down a plant to avoid incurring more and more losses, and it is only in the last year or two that mergers and acquisitions have become possible without interminable representations to the Government.

The damage this omission has done is incalculable. Unlike eastern Europe and like Brazil, Argentina, South Korea and Taiwan, India already had a strong entrepreneurial class and a sizable independent industrial base when it began its reforms. Its entrepreneurs needed not only a gradual acclimatisation to the open market, but also the managerial freedom to respond to its challenge by cutting costs, shifting to new products, raising cost-free capital by liquidating assets, and modernising their mills. The gridlock in the factor market made it impossible for them to do any of these things.

As a result, after initially welcoming the reforms, the Indian industrial class gradually turned against them and began to fight a bunker-to-bunker battle to slow down the opening of the product markets. That battle will end in defeat on April 1, with few of them having acquired the capacity to withstand the onslaught from imports that will follow.

Instead of benefiting from globalisation, India is on the verge of becoming one of its victims. In the coming Budget, the Government has one final chance to avert this catastrophe by cutting the fiscal deficit decisively and completing the opening of the factor markets. But since neither the Central nor the state Governments are even aware of the imminent crisis, it is a safe bet that this chance will be lost.



Clueless: Yashwant Sinha

## North vs South

THE DELIBERATIONS at the World Economic Forum's annual meeting at Davos were on a surprisingly different key this year. Instead of the rich exhorting the developing countries to open up their markets, prominent leaders from the South lambasted the North for being iniquitous. For the first time, the Davos meeting has brought to the forefront the anomalies of globalisation which, when seen against the background of a possible worldwide slowdown, spells disaster for the developing countries. The global growth has been projected at 3.5 per cent per annum by the IMF at Davos. The revision has taken place within four months of a higher expectation of 4.2 per cent. The lower forecast has been ascribed to the "deeper than expected slowdown in the US economy". Those emerging economies for whom the US is the biggest market will be badly hit by this turn of events.

This lack of balance in the world order ought to have been identified earlier so that the barriers erected by the North against imports from the South could have been lowered. The industrial countries have persistently made their markets for agricultural and textiles more difficult to penetrate and imposed quality standards to restrict pharmaceutical exports from emerging economies like India. In agriculture, the subsidies provided by the industrial countries to agriculture amount to \$ 1 billion a day. Yet, they have been criticising the subsidies given to poor farmers of the South. Today, the rich countries insist on having a new trade round to facilitate their long cherished desire of linking child and prison labour as well as environmental standards with trade issues. However, they have not implemented the promises they made under the Uruguay Round of Trade Negotiations. They also continue to lay down numerous restrictions on the entry of professionals from the developing countries.

With the global growth slowing down, they are bound to have problems in finding markets for their products. What they have apparently failed to realise is that a level playing field would have ensured faster growth all around and helped in poverty reduction. More jobs could have been created and per capita incomes in the South would have risen. It would have helped the poorer countries not only to export faster but also to absorb more imports from the North. But under the present self-centred regime of the rich, one billion people in the world continue to live on less than a dollar a day.

THE HINDUSTAN TIMES

30 JAN 2001

# Davos protesters face water cannon

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**DAVOS (SWITZERLAND), JAN. 28.** Anti-globalisation activists were doused with water cannon and sprayed with tear gas and rubber pellets on Saturday at demonstrations against the annual gathering of leaders at the World Economic Forum.

One protester was reportedly injured in the head, but no arrests were immediately reported.

With helicopters buzzing overhead and barbed wire fences erected at strategic points, Switzerland's winter tourist heartland resembled a battle zone rather than an Alpine paradise.

Police surrounded 150 protesters in the Alpine resort of Davos, Europe's highest city, where local authorities had banned protests during the forum. After making warnings over loudspeakers, police opened up with a water cannon on those who tried to get around a fence erected across the main street.

Demonstrators said that despite the ban — and heavy snow-

fall — they were determined to deliver their message against spreading globalisation to the corporate bosses.

"We have to fight for the right to freedom of expression," said Mr. Kees Hudig, who came from Amsterdam. Mr. Hudig — as well as many Swiss newspapers and local people — called the police response an overreaction and heavy handed. "They will have a big backlash," he said.

But after a short stand-off, demonstrators began to disperse about 1 km from the convention centre where the forum was being held. The noise of the demonstrators never reached the people inside the centre.

Some 400 demonstrators arriving back in the financial capital, Zurich, by train on Saturday evening smashed windows and set vehicles on fire, city police said. Police fired water cannon and rubber pellets. The demonstrators claimed police had met them



**A car burns as police officers try to prevent World Economic Forum opponents from rioting near Zurich's main station on Saturday. Heading for Davos in the afternoon, the WEF opponents were forced by the police to return to Zurich, where they threw stones, demolished windows and burnt cars. — AP**

off the train "with tear gas guns drawn."

Police there said they fired tear gas and rubber pellets after a

group of "extremely aggressive" demonstrators attacked security personnel at the station with sticks. — AP

THE HINDU

28 JAN 2001



# Globalisation — myths and facts

By Gilbert Etienne

WE ARE living in an odd world. Information has made incredible progress and, yet, disinformation, dogmas and myths are flourishing more vigorously than ever. One sometimes wonders whether the politburos of the cold war and their stiff conformism have not been replaced with the power of mass media. The confusion which has again crept in in North-South relations and development strategies reminds us of another era of confusion from the late 1960s to the early 1980s. Leftist dogmas of various shades from Maoism to socio-populist ideas were dominant. Wherever implemented, as in China, Tanzania and to some extent in India (*gharibi hatao* of Indira Gandhi), they have often been more harmful than beneficial to the poor. Today the situation is more complex, because of leftist versus rightist dogmas.

Looking at demonstrations against globalisation in Geneva, Seattle, Washington or Prague, one comes across leftist as well as rightist militants with their narrow nationalist outlook. The same can be observed in India, where *swadeshi wale* join hands with communists. No less confused was the demonstration by Indian farmers in front of the World Trade Organisation office in Geneva in 1999. They were supported by Swiss farmers having opposite interests. The former should on the whole benefit from the liberalisation of agricultural trade, unlike the latter who, with the Japanese, are the most protected farmers in the world.

The supporters of rightist dogmas are a little less vocal after the financial crises of East Asia in 1997. Yet, they have not given up their beliefs. Take the first door on the right, open, privatise and the market will make you happy. Some countries have resisted the sirens of neoliberalism. Taiwanese bankers, though far more advanced than their colleagues in Bangkok and Jakarta, declined offers of hedge funds, saying they were not yet sophisticated enough to handle such money. Fan Gang, a leading economist in Beijing, commented: "If you are unable to manage risks, you should set restrictions to capital movements." What the Chileans did successfully like the Chinese and the Indians.

Any reasonable person agrees today that it makes no sense to keep in the public sector loss-making industries, hotels and banks. On the other hand, developing countries in Asia, Africa and Latin America need both more and less state interventions and commitments. Agriculture still plays a major role in Asia in terms of employment and through its share of the gross domestic product (20 to 30 per cent). Besides, unlike Latin America, the Middle East and even several countries South of the Sahara, Asia, except South Korea, Taiwan and Japan, is still fundamentally rural with 70 to 80 per cent of the population in villages. Now, from Pakistan to China, public funds have been lacking for decades for hydraulic works, research and extension services, which is one of the main reasons why

more adequate legal framework, particularly in China.

Leftist dogmas are no less damaging. Is globalisation responsible for the poverty still prevailing in developing countries? If we measure globalisation by the share of foreign trade and capital movements in world output, today the universe is reverting to the level reached in 1913 with, however, some differences. The weight of multinationals is much heavier than it was in 1913. Then, huge parts of the world economy were under colonial rule and information technology was also less advanced.

Globalisation is mostly confined to Western countries and Japan. South Korea and Taiwan are getting more and more integrated in that process. Argentina, Brazil and Mexico are becoming more

civil wars and all kinds of other violent disturbances. In India, one hears complaints of the lack of a "human face" to economic reforms, a slogan prominent in Geneva during the U.N. Social Summit in June. When one speaks with the poor instead of talking about them in an air-conditioned salon in a big city, one notices that in Green Revolution villages, poverty is retreating and the reforms favour the overall movement of the economy. In sluggish areas, reforms are hardly felt and the conditions of the poor hardly change. There again, the roots of poverty have little to do with globalisation and reforms. Questions have to be asked to local politicians. With their wonderful soil and plenty of water, the plains of Bihar could again be the granaries of India as they were with Bengal for a few thousand years till the end of the 19th century. Since then they have become one of the largest reservoirs of acute poverty in India.

Brazil is the world champion for income disparities in spite of a rather high average GDP per head. The phenomenon was already apparent by the end of the 19th century. If we take a world view, a few points emerge clearly. The developing countries which have become most integrated with the world economy, thanks to dynamic exports of manufactured goods enabling them more imports, have known the most vigorous rates of growth. The latter contributed in no uncertain terms to poverty alleviation, thanks to rising employment and wages.

The impact of capital flows is more ambiguous. The free-for-all policy applied in East Asia proved very damaging, whereas China managed to benefit a considerably from private foreign direct investments, thanks to a number of restrictions and regulations.

How to get over the present confusion which, if it grows further, could aggravate poverty by delaying reforms? Would it be possible to react both in rich and poor countries against rightist and leftist dogmas?

(The writer is Professor Emeritus, Graduate Institutes of International Studies & Development Studies, Geneva.)

*How to get over the present confusion which could aggravate poverty by delaying reforms? Would it be possible to react both in rich and poor countries against rightist and leftist dogmas?*

agricultural growth is slowing down in most countries.

Then come transport and electricity. In the early 1990s, in India, South East Asia and China, there were large expectations of private (local or foreign) direct investments. Today, it is clear that multinationals and local enterprises are reluctant to resort to BOT (Build- Operate-Transfer) formulas for power projects and expressways. Few such projects have been implemented in most Asian countries. The huge amounts of capital involved, the risks and uncertainty over profit and procedural delays explain such attitudes.

Massive public funds are needed for much better operations and maintenance expenditures in the power and transport sectors. See the miserable conditions of power supply in Karachi or New Delhi, see the deteriorating network of roads, particularly in India. Even more massive public investments are required for new powerhouses and distribution systems, and for new roads. No less important is the strengthening of administration and a

involved as well as China is. The last named accounted in 1999 for 3.5 per cent of world trade, taking the ninth rank, and its foreign trade corresponded to 35 per cent of its GDP. It also absorbed \$290 billion of foreign private investments (1980 to 1999). The whole of South Asia is still hardly affected. India's share of world trade fell from 2 per cent in 1950 to 0.5 per cent in 1970 and now it is about 0.6 per cent. It benefited from only \$18 billion of foreign private direct investments between 1980 and 1999. As for Africa south of the Sahara, it is not becoming globalised, but instead is getting marginalised: 2 per cent of world trade in 1999, versus 6 per cent in 1970. As for foreign private investments, they are not tempted to come.

The causes of poverty have, in most cases, little to do with globalisation. This summer the Food and Agriculture Organisation enumerated 16 countries south of the Sahara as suffering from food scarcity. Drought was, no doubt, partly responsible but 11 countries were torn by

THE HINDU

8 JAN 2001

## India is 49th among 50 in globalisation

WASHINGTON: India ranked 49th out of 50 developed and key developing countries in terms of depth of globalisation achieved, being ahead of only Iran, while Singapore is on the top, a report said.

AT Kearny, a foreign policy magazine, which produced an index to measure the extent of globalisation in the world, has put India almost at the bottom in globalisation but says NRIs play an "extremely important role" in sustaining its economy. India scored well on the indicator for transfer pay-

ments, which includes both official funds transferred from governments and international organisations as well as remittances from nationals living abroad.

India scored dead last on indicators for international travel and tourism and international telephone calls. "These results suggest that it has a long way to go in enhancing its people-to-people contact with the rest of the world."

There were 2,359,000 international travellers in India in 1998. Passengers out were 3,811,000.

Travellers as a total share of the population were only 0.63 per cent.

For international telephone calls, there were 1,499 million minutes of incoming calls and 436 million minutes of outgoing calls. Minutes per capita per year of international telephone calls were only 1.98.

India shows very low levels of Internet penetration relative to other countries. With only one Internet server per 100,000 people in 1998, India ranked behind many African countries in terms of Internet infrastructure. (PTI)

THE TIMES OF INDIA

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